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ECONOMIC AND INDUSTRIAL AFFAIRS

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22 August 1985

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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CEMA, DEVELOPING COUNTRIES ECONOMIC TIES EXAMINED

Budapest KULPOLITIKA in Hungarian No 3, 1985 pp 32-47

[Article by Kalman Pecsí, scientific fellow at the Research Institute for World Economy: "Economic Contacts Between CEMA and the Developing Countries"]

[Text] In the future the complex interdependencies of the mutual effects of politics and economics will certainly play a more significant role in the development of economic contacts between the developing countries and CEMA. The most important reason for this is that the economic structures of both groups of countries are in a state of constant change and both world economic and internal economic relationships have an effect on the direction and intensity of these changes. In addition the countries of both groups are striving for definite changes in their economic policies, in the place they occupy in the global division of labor and in the role they play in the economic relationships of the world.

The results and the deficiencies of the economic contacts between the two groups of countries are more or less well known. So my chief goal is to outline the problems in these contacts and to forecast their development, in addition indicating what sort of changes are possible and to be expected in the development of the mechanism for economic contacts between the two groups of countries. I will seek an answer--from both the economic policy and theoretical aspect--to the question of whether the present model of economic contacts will be satisfactory over the long run or what changes of a theoretical character might be expected. Debates are taking place about the practice and mechanism of the economic contacts. In my opinion a value approach on the basis of practical experiences is the most important. According to other opinions planning in terms of goods is primary in this relationship as well.

The Effect of Mutual Trade on the Development of Contacts

The magnitude of mutual trade determines the present state and developmental possibilities of economic relationships between the two groups of countries. This fundamentally influences the qualitative and substantive (convertible or clearing exchange) and quantitative and formal (bilateral or multilateral accounting) characteristics of accounting.

The mutual trade takes place between countries with different economic and social systems. The majority of the developing countries are parts of the capitalist world economic system, thus from the monetary viewpoint the rules of capitalist international trade and of the capitalist money markets must be realized. For this reason the preferences and easements between CEMA countries can be applied in this relationship only on the basis of the principle of mutuality.

The next important factor is the transformation of the composition of trade. At present the structure of the trade between the two groups of countries can be regarded as traditional. For the most part the CEMA countries export processed industrial product and imports materials. As a result of their successful industrialization, however, an increasingly large number of the developing countries are becoming significant exporters of finished products and have become our competitors on the market for these products in all three regions of the world market (developed capitalist, developing and socialist). In this way the complementarity which had developed earlier between the markets of the two groups of countries is gradually ending. Thus it must be restored as soon as possible on a new and higher level. The strengthening mutual competition requires suitable monetary conditions, with a gradual setting aside of "soft" bilateral clearing exchange and a switch to accounting in convertible currencies.

In the 1970's, in the swift development of the export capable branches, the CEMA countries still did not pay enough attention to the possibilities of specialization within the region. As a result of parallel developments one could observe symptoms of competition between the CEMA countries even in the case of finished products which could be placed on the markets of the developing countries. From the monetary viewpoint this encouraged the socialist countries to maintain bilateral commercial and payments contacts.

The machine industry customer market of the developing countries is especially important for those CEMA countries which started mass export of this product group relatively recently. The not excessively high requirements level of their markets makes it possible for some developing countries to become trade partners on this basis. Payment for goods of this character could be made even in the less valuable clearing exchanges.

The developmental trends of the world market are having an effect on the commodity composition of the trade between the two groups of countries. Industrial products make up the crucial portion of world trade--despite the price increases for fuels and other raw materials. The chief direction of the exchange is finished products for finished products. This also influences the development of accounting and credit conditions--the role of medium and long-term enterprise (company) credit will be greater and greater.

Thus far we have examined the effects of the development of trade from the viewpoint of trade policy, and in connection with the types of currency and credit used. The question of the development of multilateralism is closely connected to these. The most important condition for any monetary measure aimed at developing multilateralism--in regard to the developing countries--is that multilateralism should come into being in the trade and accounting

between the Soviet Union and the other CEMA countries, in regard to the trade conducted both in transferable rubles and in other currencies. More than 60 percent of the trade conducted with developing countries involves the Soviet Union.

Since the end of the 1970's two new phenomena have appeared in the trade of the regions under study. First, both groups of countries are interested in increasing export directed to the market of the developed industrial countries. Taking this into consideration--according to the most recent analyses--the export structure of the CEMA countries is similar, in about 85 percent of the cases, to the structure of the export of the developing countries directed to the markets mentioned. Thus, if we cannot reach suitable agreements in the monetary-financial and commercial spheres in the very near future, the competition between the two groups of countries may become merciless.

Second, the significance of cooperation with the developing countries is increasing in regard to building up the energetics complex and other raw material production complexes within CEMA.

On the basis of a review of a few distinguishing features of the trade between the CEMA countries and the developing countries we can draw the conclusion that the economic relationships of these country groups are in a process of transformation.

Economic Policy and Theoretical Aspects of the Transformation

a. Economic Policy Aspects

Both positive and negative factors are influencing the economic contacts between the socialist and the developing countries.

Let us look at the positive ones first:

--The contacts of the socialist countries with the developing countries are determined by such principles as respect for national sovereignty, full equality and noninterference in the internal affairs of other countries.

--The crisis of the capitalist world economy has increased the contradictions between the developed and the developing countries. The world economic crisis, and especially the raw material and debt crisis therein, has weighed most heavily on the developing countries, but it also affects the small socialist countries so in certain questions the community of interest of the two groups of countries under study has strengthened.

--Progressive political changes have taken place in many developing countries.

Unfortunately, the list of negative factors is a good bit longer. Let us review these on the basis of the criticisms raised by the developing countries at the conferences of UNCTAD.

--The most weakly developed countries with a socialist orientation, especially, expect an increase in aid from CEMA and the socialist countries, all the more so because the international organizations and the developed countries have reduced the aid extended to them and are attaching it to conditions. The aid of the socialist countries is the chief economic support of these countries.

--Despite the above, they say, the socialist countries give preference to those developing countries which have significant energetics and raw material resources and which--in return for these--buy equipment, machines and technology from the CEMA countries.

--The situation is similar in regard to technical-scientific cooperation. At present the bulk of the aid is directed to the more industrialized and richer developing countries. Economic interests fundamentally stimulate the offering of this sort of aid as well.

--On the basis of a detailed analysis of the practice of trade and technical-scientific cooperation it turns out that in most cases the socialist countries have not met the obligations they undertook.

--As for economic cooperation to be realized on a multilateral basis, the developing countries regard a transformation of the monetary-financial system of CEMA and a reform of the price system and trade system (primarily duties) to be urgent tasks. They argue that the theses of the Complex Program pertaining to trade must be reviewed in order to give a voice to the interests of the developing countries and the countries with a socialist orientation. A stand must be taken in the question of mutual advantages also.

--In regard to trade contacts they bring up the following:

The ratio of trade one with another is small in the trade of the two groups of countries.

The trade balance of a number of socialist countries is chronically passive in regard to solvent developing countries.

The rates of exchange have an unfavorable influence on trade.

The socialist countries buy few industrial articles from the developing countries.

The foreign trade of the socialist countries is inflexible, there are problems with spare parts and service.

Reviewing the above it can be established that a few of the charges are debatable, but in any case an answer must be given. Some sort of dialogue must get started finally in this relationship too. In what follows I will attempt an outline of this.

The process of the transformation can be influenced only on the basis of clear positions. The starting point might be something like this.

--The principles of economic cooperation have not been worked out clearly. In my opinion cooperation must be conducted on the basis of efficiency, at the valid world market prices. It would be useful to rethink the present practice also because the aid being offered through prices and through other noncommercial channels cannot be used effectively and, in addition, its economic effect is dubious. If we conducted cooperation in accordance with the conditions of the world market then we would have to organize corresponding forms of offering aid, which might be loans or, if necessary, nonrepayable aid. It is essential, however, that both the one receiving the aid and the one offering the aid see clearly what is involved.

--At present the possibilities of the socialist countries for offering aid are extraordinarily tight. This is so not only in the case of Eastern Europe but also in regard to the Soviet Union. After the Soviet Union, Eastern Europe is one of the chief potential reserves for offering economic aid to world socialism. It is also of fundamental significance from the viewpoint of offering aid that Eastern Europe, now struggling with greater or smaller economic problems, should grow stronger. And this--according to our forecasts--will take 10-15 years.

--We can no longer speak of the third world as a bloc; a differentiated treatment of the countries is absolutely necessary. But we must develop a uniform position on the scientific criteria for the differentiation to be clarified on a basis of principle; following this there will be a need for adopting a uniform political and economic approach and working out concrete practical, tactical steps on the basis of it.

--Since the most swiftly developing groups of developing countries have become competitors of the Eastern European countries on the world market we must rethink the bases for economic aid and for mutual cooperation in general.

--Portraying the contacts between socialist countries and developing countries as an alternative to East-West relations can be supported by nothing either politically or ideologically. The task which follows from the Lenin policy of peaceful coexistence is development of East-West contacts too, together with all the economic consequences thereof.

--Exploiting the experiences of the transnational enterprises and international financial organizations in contacts between the socialist countries and the developing countries is of first order importance (for example, in regard to laying foundations for investment projects, realizing efficiency requirements and a realistic evaluation of developmental levels). This is needed because the socialist countries have very little or no experience in how to organize economic cooperation with these countries. A sincere, profound review of the system of economic contacts with countries with a socialist orientation, especially the system of economic councils, is absolutely necessary. If we do not do this we will be incapable of working out guidelines for economic cooperation which take the present requirements into consideration realistically and rationally.

--We cannot accept the allegation that the socialist countries are exploiting the developing ones if the trade between them takes place at world market prices. For example, Eastern Europe also has suffered serious losses as a result of the price explosion for oil and other fuels, just like the oil importing developing countries. The advantageous or disadvantageous nature of trade cannot be determined exclusively on the basis of prices; comparative costs also influence the utility of the international division of labor. So these also must be taken into consideration in the trade between us. At present the socialist countries are not in a position (and will not be within the foreseeable future) such that they can deviate from the world market price as a base. The latter would require a serious reform of their internal price formation, income regulation, taxation, etc. systems and there is a prospect for this only over the long term. So the task is a consistent application of the world market prices and of economic conditions corresponding to them. As I mentioned above, we must work out an aid system for trade between the CEMA countries and the developing countries on the soil of mutual economic cooperation organized in this way. We must develop a clear, reviewable, adequate international mechanism, satisfying both sides, for the conduct of mutual economic cooperation.

--Finally, one can agree with those arguments which criticize the mechanism of CEMA. Our own countries have justly objected to the conservatism of the international economic mechanism of CEMA which first appeared in the 1970's. This conservatism contributed to a significant degree to the fact that the relatively tiny amount of aid offered by us was offered in an inappropriate form as well. Our international economic mechanism minimizes and makes invisible significant parts of the aid and assistance in the cooperation (for example, the debt rescheduling and the suspension of repayments made possible for countries with a socialist orientation and other developing countries in an extraordinarily difficult situation, the losses suffered in trade with them, etc.). What is actually needed is that we consistently implement the measures prescribed in the Complex Program in the area of the foreign trade and monetary-financial sphere. Thus far they have not created a convertible common exchange, we have not been able to bring a single developing country into the International Investment Bank or the Bank for International Economic Cooperation, they have not been able to create special funds, and so forth. They have not yet realized quota-free trade even formally. The international mechanism of CEMA is not adequate from the viewpoint of a modern, rational organization of cooperation between the developing countries and the socialist countries.

--The path of socialist orientation has proved to be burdened with many difficulties for the developing countries which chose it. The present models are not sufficiently attractive or persuasive for the other developing countries.

Serious economic difficulties have arisen in virtually every one of the countries taking the non-capitalist path of development. The most important of the reasons for this are that they abolished the private sector all at once and in general tried to realize a great leap too fast in industrial structure. Thus there was an immediate complete break from international capital and private capital, and the aid arriving from the West ended. The aid of the

socialist countries could not fill this gap. The process of correction which can be observed hides very many difficulties in it.

--We must create a few good examples in cooperation between the socialist countries and those with a socialist orientation, examples which might serve as models for the developing countries. We can offer the greatest help in the training of experts. There is also a need to create a research base, to study the problems coming up and to work out concrete recommendations. We must expand economic cooperation also, but this promises to be a long lasting process for at present the difficult economic situation of the socialist countries limits the contacts.

--We must create socialist international associations as a counterbalance to the transnational enterprises. We must find forms of advantages mutually acceptable to each side; that is, in addition to the socialist countries aiding progressive processes in the developing world they must strengthen their own economic potential as well.

--New tendencies are appearing in the majority of the developing countries the essence of which is cooperation with the developed countries and with international capital. Starting from this we must approach a differentiation of the developing countries scientifically and practically.

Taking this into consideration I consider it useful to distinguish the following types in the developing world:

- a. socialist developing countries;
- b. countries with a socialist orientation;
- c. developing countries with great raw material and fuel resources;
- d. developing countries with great economic and regional potential;
- e. newly industrializing countries; and finally
- f. the 36 least developed developing countries.

b. The Lack of a Theory of Socialist Aid

At present there is no scientifically and mutually debated theory of socialist aid. In the absence of this practice follows a pragmatic path.

Offering aid and taking over experience are not factors of cooperation independent of time and space. What role the offering of aid and handing over or taking over of experience play in economic contacts and when the realization of the efficiency principle comes to the fore always depend on concrete conditions.

Jeno Varga--starting from the international economic cooperation experiences of the Hungarian dictatorship of the proletariat--came to the very important theoretical conclusion that at least two epochs can be distinguished in the cooperation of socialist states. The first epoch, the characteristic of which is that economic aid is offered by the other proletarian states primarily for political reasons, lasts until the consolidation of the new states. After the consolidation of the proletarian state the political reasons for the offer of aid gradually give way to cooperation based on the principle of mutual

advantages. Then, in the second epoch, there is a possibility for a new type of economic cooperation resting on foundations of interest and efficiency.

This theoretical generalization corresponded to the conditions at that time, when there were only two proletarian states. But the situation is different today. Our aid contacts arise in a dual theoretical aspect:

1. In respect to all developing countries. Here there is the realization of our pragmatically conceived theoretical position that the former colonial powers are responsible for the present situation of the developing countries. Thus, formally, we do not participate in the aid activities of the UN and its specialized organizations. In reality, however, we also offer aid--and not a tiny amount either--in various forms (aid, price subsidies, preferences, etc.).

Our staying out of the international aid organizations has given rise to the notion that we are isolating ourselves from the world economy and following an autarkic path. And finally this leads to consequences which are difficult to defend theoretically and the price of this is an unsatisfactory growth of our political attractiveness.

2. We do not have a pragmatically founded, openly announced economic theory position in connection with developing countries with a socialist orientation and the small number of developing countries preferred for various other reasons. Analyzing the practice we can draw the following theoretical conclusions:

--We regard capital, or the lack thereof, as the critical hindering factor in the developmental process in the countries with a socialist orientation--or others preferred by us. Accordingly, the moderately or least developed countries have remained poor--relatively or absolutely--because of their lack of capital. If the missing factor could be supplied in some way--and in sufficient quantity--the various disorders and brakes on development could be broken through and these countries could start on a path of self-sustaining economic growth. In the final analysis this simple hypothesis provides the theoretical foundation for our aid programs and institutions. External aid has become a synonym for capital flow.

--Three essential requirements must be made for our aid. In the first place it should cover the difference between the internal resources and the financial assets needed for development. In the second place it should supplement internal savings, and in this way become a stimulus for further savings. In the third place it should move the economy receiving the aid into a state of self-sustaining growth. (Thus external socialist aid can be regarded as a temporary phenomenon which, theoretically, can end when the receiving country enters onto the desired path of development.) Achieving self-sustaining growth requires essential, fundamental structural changes; for this reason there will be a need for the aid of the socialist countries for a long time.

--One cannot expect a single socialist country to assume a long-term obligation in the form of financing the development of one or more countries in the third world. Other arguments, more easily accepted politically, are

needed to start the flow of social resources from the CEMA member states in the direction of poor developing countries with a socialist orientation. These arguments have taken various forms--moral and humanitarian, military and strategic, political, ideological and finally, for a few, aiding these countries has been presented as an economic interest. Finally, the aid frameworks are institutionalized and become an organic part of the economy and of the foreign policy of the bestowing country.

--The ideas connected with external aid programs contain a number of--often contradictory--goals. The new expectation of the donor countries that they will get something in return for the aid is essential. In this way, however, the aid and other forms of capital flow become merged. So it appears that first they do not offer general developmental aid but rather support tied to concrete goals. In order to evaluate this situation realistically we must take into consideration the sudden halt in the development of the international socialist financial system in the 1970's, the indebtedness of the smaller European socialist countries in regard to the Soviet Union and the debt of a few of them on the international money markets, which reached a peak at the beginning of the 1980's.

--In reality, today, the magnitude of socialist aid is a supplementary factor, which depends on the following:

1. the health and performance capacity of the economies of the donor countries;
2. the availability of supplementary resources (a relative capital surplus);
3. the effectiveness of these sums, which in the final analysis involves political considerations rather than other ones.

The beneficial economic effect, which it had been hypothesized that these resources would offer to the receiving countries, became secondary. And finally this brought with it the present clumsiness of the practical realization of the aid theory.

What conclusions can we draw from the above review of aid theory and practice?

- a. According to the present conception the poorer countries of the third world can develop only if a significant volume of external resources flows into their economies in the form of aid.
- b. The ultimate meaning of development in this conception is achieving self-sustaining growth, as an integrated part of the socialist world economy.
- c. The economic basis for international aid has withered away; in its place morality and philanthropy or military, strategic, political and ideological goals and other principles are taking on increasing importance.
- d. It has become absolutely clear that no country wants to assume a long-term financial obligation which will aid the development of--so very many--other countries without being quite clear about what is received in return. It

appears that the economic aspects are much stronger than was imagined earlier. Economic interests, instead of philanthropy and the other principles mentioned above, must be placed in the foreground in the international flow of resources taking place in the form of aid, even if the donor is a socialist country.

e. Treating the principles of the concrete practice of aid as a general theory of aid has become virtually absolute in the economic thinking and political life of the socialist countries. For this reason any new proposal can be successful only if it takes this situation into consideration and tries to change it step by step, both in theory and in practice.

Applicable Models of Multilateral Economic Cooperation Agreements Between CEMA and the Developing Countries

By the middle of the 1980's the trade between the CEMA countries and the developing countries had become significant in absolute value--although it makes up a negligible fraction of world trade--and it is developing further. Considerable changes have taken place in the system for trade and accounting too, although, it appears, the final form has not yet been developed. At present the majority of the developing countries prefer bilateral convertible accounting. For the time being the system of multilateral accounting conducted in transferable rubles is not sufficiently attractive to the developing countries.

This offers an important lesson for the further development of the foreign exchange system of CEMA which has been decided on in the Complex Program. It appears that the closed nature of the system, its immanent bilateralism and the difficulties of mobilizing the accumulated accounts receivable should be reviewed from the viewpoint of the possibilities of bringing in outside countries.

In the following we will review possible theoretical models which might be applied in trade and payments contacts between CEMA and the developing countries.

1. Participation of Certain Developing Countries in the System of Multilateral Accounting Conducted in Transferable Rubles

The more important conditions for this are the following:

--Before all else entry into the system of multilateral accounting is a function of the planning of trade among the participating countries, which depends primarily on assigning bilateral quotas for commodity flow. In accordance with CEMA practice the bilateral commodity quotas have to be compiled for the medium range (about 5 years) and for one year periods.

--Solving the problem of short-term credit. (In principle the basic schema for this might be the preferential short-term credit system of the NGEB [International Bank for Economic Cooperation].)

--Adjusting the prices for mutual trade. Every country desiring entry would have to establish uniform prices for the countries participating in the

accounting cycle. The present preferential price system of the CEMA countries used among themselves might be attractive to those developing countries in the import of which the share of fuels is relatively large.

--Adopting the pricing methods valid in CEMA presumes that the entering developing country acknowledges the rates of exchange of the transferable ruble established for convertible exchanges. At the same time they would have to accept the practical system for conducting payments (the so-called prompt collection).

Because of the above preconditions entry into the present multilateral accounting systems seems to be easiest for developing countries with a socialist orientation. But it can be imagined that entry into a system using the transferable ruble could be attractive from certain viewpoints even for developing countries dependent on the import of fuels. This, however, is not attractive enough for CEMA.

2. Joint Action by CEMA Countries on the Market of An Individual Developing Country

CEMA countries interested in this arrangement could trade together with a given developing country. Only they would have to be careful that their total trade not deviate much from the balance; some of the participating CEMA countries might have a significant active balance while the others--understandably--might have a considerable passive balance in regard to the developing country involved. They would settle the difference among themselves subsequently.

In the case where the majority of the CEMA countries conduct clearing accounting with the given developing country then a country which conducts convertible accounting could switch to clearing exchange, if interested enough.

In this case the credit procedure might be similar to the credit rules for a system of multilateral accounting, that is the given developing country might be given preferential credit--in case of need.

In this accounting system also the commercial deals could be conducted at current world market prices.

Creating a multilateral accounting system of this type would be the internal affair of the participating countries--with the condition that the accumulated accounts receivable with the given developing country could be converted to transferable rubles and vice versa. Use of this model would require much more flexible internal financial regulation from the CEMA countries, which might be significantly different from the presently valid system of valuing the transferable ruble.

3. Creating Links Between the Multilateral Clearing Unions Already Existing Among Developing Countries and the Accounting System Using the Transferable Ruble

The chances of realizing this model are not too great, primarily because this solution presumes the establishment of a realistic rate of exchange between the transferable ruble and the currencies of the clearing systems involved, and the problem of pricing arises in connection with this. (Of course one could solve the problem of rate of exchange and prices with financial bridges, with an agio and disagio which could vary depending on the volume and schedule of payments.)

It is an important advantage of this model that it would create new possibilities from the viewpoint of short-term, multilateral credit for trade. The combined accounting credit limits of the CEMA countries and the similar limits of the given clearing union would provide a significant supplementary financing source for the development of trade between the two groups of countries.

4. Arrangements Involving Trilateral or Multilateral Commodity Compensation

This model could work only if the NGEB [International Bank for Economic Cooperation], the only multilateral institution in the sphere of currency and foreign trade, undertook an active role in it. For example, this would involve the creation of uniquely socialist commodity exchanges, naturally ensuring the planned nature necessary for the character of such operations. It might also be imagined that the NGEB, as the collective accounting-monetary organ of CEMA, might participate in the planning of foreign trade with the developing countries and--with its banking contacts--might create so-called correspondence relationships in this sphere of activity as well.

5. Entry of Individual Developing Countries Into the Presently Existing Multilateral Accounting System of CEMA

This model must certainly be taken into consideration as a theoretical possibility, but with the stipulation that the developing countries can convert the accumulated active balance to convertible exchange--up to a determined limit. The accounting system using the transferable ruble is not attractive to the developing countries because it does not guarantee conversion of the transferable ruble into convertible exchange. The obvious solution to the problem would seem to be the so-called swap operations, the essence of which is that the given developing country could make use--as credit, in convertible exchange--of a determined part of the active balance of trade achieved with CEMA countries. This would be paid off only when it purchased goods from the CEMA countries--possibly in a planned way. If the given developing country could not settle its positive balance with goods by a certain time then the credit might be automatically extended.

This method of converting the transferable ruble to convertible exchange is very flexible. Its advantage lies primarily in the fact that it is not absolutely necessary for a developing country entering the multilateral accounting system to accept the the planned system of prices and commodity

cover valid in CEMA. Any rate of exchange ratio can be used when converting accounts receivable expressed in transferable rubles into convertible exchange, because the settlement of the balance will also take place within the accounting sphere. Using this type of multilateralism will encourage a growth in mutual trade.

6. Realizing Partial Multilateralism In Large Volume Construction in the Area of a Developing Country, on Credit, With the Participation of Several CEMA Countries

This type of multilateralism which can be imagined as a possible variant depends primarily on multilateral planning of action by CEMA countries on the market of a given developing country. In this model a prime contractor keeps the accounts with the developing countries involved and distributes the receipts among the others.

7. Creating Commodity and Market Agreements Between a Few CEMA Countries and the Interested Developing Country

The essence of these commodity agreements would be that the developing country would get a secure market for its goods in a few CEMA countries. For example, such a commodity agreement might be signed for the sale and purchase of some tropical plants (bananas, cacao or a few other raw materials) or even a few light industry products (textiles, shoes, ready-made clothing). These agreements would take account of the interests of the CEMA countries too, because with their aid the guaranteed import of the necessary goods could be ensured under determined conditions. The agreements would have definite advantages for the developing countries as well because they would have access to a guaranteed market with a large receiving capacity. These commodity agreements, which might run for 5-10 years, could be mutually linked, that is, within the framework of these agreements, the interested CEMA countries also could coordinate their deliveries multilaterally and realize the payments in a multilateral system. The price level of such agreements--possibly of a barter type--and the rate of exchange used in mutual accounting do not play a determining role. Accounting could be done in convertible exchange, in the national currency of the developing countries or in the national currency of individual CEMA countries.

8. Participation by a Few CEMA Countries in Large Volume Raw Material Production in Individual Developing Countries

The CEMA countries already have significant experience in making agreements of this type and in financing the projects connected with this. The essence of these agreements would be that the CEMA countries would offer economic and technical aid for the production of certain products, and the interested country would pay off this aid with raw materials. The accounting system here could vary depending on whether the accounting between the interested CEMA countries and the given developing countries is conducted in convertible or clearing exchange.

9. Conducting Pure Multilateral Financial Operations With the Aid of the CEMA International Accounting Bank on the Basis of a Newly Created Convertible Ruble

The Credit Links of CEMA and the Developing Countries

In what follows I will deal with two questions from the sphere of credit links. One is the Special Fund to be established for third countries; the other is the matter of credits extended bilaterally.

Representatives of the International Investment Bank (NBB) and of the governments of member states signed an agreement concerning the Special Fund on 11 April 1973. The purpose of the fund was to provide credit for measures connected with economic and technical aid to developing countries. The Special Fund was to total one billion transferable rubles and was to begin operations on 1 January 1974.

As of January 1985, however, no credits had been extended to the burden of the Special Fund and no payments had been made into it. The condition for such credits would be that an agreement be made between the countries participating in the fund and the states receiving the credit concerning the mutual deliveries of machines, equipment and goods to create the projects being funded and to pay off the credits extended and that this figure in the national economic plans of the NBB member states.

Creation of the conditions for the functioning of the Special Fund have presumably been put off for the following reasons:

- a. the immanent bilateralism of the accounting system using the transferable ruble;
- b. the limited nature of monetary functions (the collective exchange is simply an accounting tool);
- c. unsatisfactory interest in the multilateral extension of credit;
- d. inadequate clarification of temporary burden bearing.

2. In contrast to the above the CEMA countries have been active in the bilateral extension of credit. The net credit extended between 1976 and 1982--according to Western sources--came to about 16 billion dollars and the Soviet Union extended about 90-95 percent of this.

The consequences of the credit crisis of the developing countries have not missed our bilaterally extended credit either. That is, such problems of international debt servicing as insolvency, rescheduling requests and suspension of payments have affected us also.

We cannot remain passive in this entirely new situation. If we do not take appropriate initiatives we can only follow the arrangements implemented by the

capitalist international financial system. Since we are in a much worse creditor position than the private banks or the international organizations it is much more difficult for us to resist bilaterally the write-off claims, the unreported moratoriums and the disadvantageous rescheduling requests.

My following proposal may offer a path leading out of the above situation.

In the case of their accounts receivable which are irrecoverable or have an uncertain fate the CEMA countries should offer to convert the credits into long-term (15-20 year) convertible bonds. The bonds could be converted into shares in mixed enterprises to be established in the debtor country. The issuing of the bonds should be multilateralized and the further management of them should be entrusted to CEMA banks. In this way we might also solve the filling up of the Special Fund.

The method of implementation might be as follows:

1. In the bilateral credit contacts of the CEMA member countries the governments of the developing debtor countries with a socialist orientation might simultaneously propose to the creditors and to the NGB the conversion of their medium-term (for example, 5 year) debt service obligations into long term (for example 15-20 year) convertible bonds. The government of the debtor country would issue the bonds. (In the event of private liabilities the conversion would lead to the creation of a government claim against the private debtor.)

2. The cover for the bond issue would be prescribed investments by the given country selected by the NBB. (The individual projects could be organized in the form of public or private undertakings.)

3. The bonds would be guaranteed by the NBB, in addition to the debtor country, and they could be converted into shares in mixed capital companies at the request of the owners or at the proposal of the NBB. The government of the debtor country would put together the repayment and interest payment plan connected with the bond issue, including the possible conversion of the bonds into shares and the transformation of the selected investments into mixed capital shares companies, in agreement with the government of the creditor country and the NBB.

4. If the owner of the bonds wants his bonds converted into shares then the issuing government transfers the nominal value of the bonds to the shares company to be established. (In this way the government would reduce its debt embodied in the bonds.)

5. Mixed enterprises could be established for at most 15 years, with the condition that in case of necessity this period could be extended. The NBB would organize competitive bids for creation of the mixed enterprise in the given country, for the enterprises of CEMA countries (or countries associated with CEMA). It would be desirable for these mixed enterprises to achieve an active foreign trade balance.

6. The NBB and the debtor country would jointly develop the economic and other conditions necessary for the creation and operation of such mixed enterprises (founding them, paying for them, liquidating them, etc.).
7. With the creation of the mixed enterprises they would have to adopt modern equipment and technological procedures, work organization and marketing methods, but at the same time they should use the raw material reserves of the receiving country and should apply its previous production organization experiences.
8. It must be noted that the pace of spreading the new method depends on both interested parties.
9. The method proposed for easing the debt burden will make possible an easing of the deflationary pressure burdening the developing countries affected. And finally it will be beneficial for the CEMA countries as well, because the demand for the industrial products, capital and trained labor force offered by them will increase.
10. The proposed method will make the CEMA countries interested in moving additional capital into the very indebted developing countries. The method and designating the first users will require political decisions, at the national and international (CEMA or NBB) level. It would be desirable to have experiments first.
11. Taking into consideration the probably increasing obligations of the NBB, a further increase in its resources will become necessary (by the assumption of further guarantees by the member countries).
12. The governments of the CEMA member countries might temporarily transfer to the NBB--in order to fill up the Special Fund--a previously determined part of the bonds coming into their ownership by the rescheduling of the debt. In this way the Special Fund might start operating.

Summary and Conclusions

On the basis of an identification of the problems and an analysis of their roots we can establish that--despite a few optimistic evaluations--there are many questions awaiting further development in the economic contacts between CEMA and the developing countries and in the international handling of aid practices. We must find new paths which are acceptable from the scientific, political and economic viewpoints.

It appears that the proposal mentioned meets the requirements which can be made of new solutions. I know that the proposals have only outlined the general frameworks of the system and that the political and economic circumstances and the technical solutions have to be worked out in much greater detail.

Because of their political importance the economic contacts between the CEMA member states and the developing countries are important parts of international progress. The theoretical and practical further development and perfection of them are important common tasks of the progressive forces.

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INTERNATIONAL AFFAIRS

CEMA EFFORTS TO REDUCE TRANSPORTATION COSTS CITED

East Berlin DDR-VERKEHR in German Vol. 18 No 6, 1985 (signed to press 15 Apr 85) pp 162-166

[Article by Dietrich Witt]

[Text] A systematic and consequent reduction of expenditures in all branches and sectors of the national economy is a fundamental strategic issue in economic policy, the resolution of which entails that the economic optimum in the reproduction process of the national economy is achieved and which is constantly freeing new resources and opening up sources for materials, in order to realize according to plan the respective, concrete goals in the unity between economic and social policy. This is the way in which it was already set forth in the SED platform in connection with the intensification of social production¹, this is also the way in which it was determined e.g. in the sixth strategic complex on the GDR economic strategy² concluded at the X. Party Congress of the SED and it is thus self-evident that this task is taken into consideration and reiterated at every gathering of the Central Committee [ZK] of our party, the last time being e.g. at the 9th congress in connection with the evaluation of economic progress, according to which the growth in production is taking place simultaneously with a reduction in the consumption of energy and materials.³

The continued solution of this task in the area of transportation must be viewed in this overall context as well.⁴ The design of the reproduction process in the area of transportation has been carried out traditionally in the unity of its two aspects, i.e. the constant securing of a smooth processing of all transportation as necessitated by the needs of society on the one hand and a corresponding minimization or optimization of the societal expenditure required to achieve it on the other. As a general rule, domestic transport received the strongest emphasis in the discussion of this topic. With respect to the second aspect, the societal expenditures, the rationalization of the latter and ways and means to make it more effective or intensive all the way up to a complex optimization of the "TUL" processes or the even more extensive production-transport optimization are the focal point. This same question is posed with growing urgency in the area of international relations of transportation. The roots for this development lie in the fact that economic processes are restricted to a lesser extent [than in earlier times] to national

boundaries and the fact that the particular economies become interconnected and interlaced by more and closer relations among each other.

It is a basic Marxist-Leninist tenet that, in accordance with the laws of dynamic development, increased internationalization of economic and societal life take place and under the existing conditions of the existence of nations and national economies, an increasing number of problems of designing economic life have to be evaluated within an international framework or solved therein; moreover, this is, to a certain extent, the only way of solving them at all.

The increasing importance of a systematic reduction in transportation expenditures is based on a number of facts, including the following:

- The volume of European international traffic alone has reached a figure of 1.5 billion tons.
- This volume increased between 1970 and 1980 by c. 20 percent.
- From 1970 to 1980, annual growth in the CEMA area alone constituted 3.1 percent in rail and road transport and 6.1 percent in maritime traffic.
- The average transportation distance in this area is 1,200 km for land transportation and 5,535 for shipping (1980).
- The international traffic of the GDR has in its growth process not only been following the development of international traffic, but even surpasses it in some aspects and for certain types of carriers.

The reduction of costs in international traffic is a strategically important task, above all because all of the conditions that generally affect the course of international cooperation are equally unfolded here, viz.:

- First, in the area of international traffic, aspects of the reproduction process are carried out abroad and, moreover, segments of production (e.g. infrastructures) are also used by partners from third countries, so that, while a part of the required overall expenditure reduction task can be solved by decisions based on national levels (e.g. a particular country's selecting a certain type of ship for a transport according to its schedule), another part, that can be achieved only in cooperation with a foreign partner, always remains (e.g. permission for regular traffic as optimally designated mode of transportation, the establishment of technical requirements and/or standards that must be observed and which influence the cost, fees levied, etc.)
- Second, with respect to the above-mentioned second aspect, it is necessary that at least two sovereign partner nations cooperate, which, in view of the fact that there exists internationally no unified and closed hierarchy of management and competence in the international arena, unlike the situation at home, can and does lead to circumstances in which diverging interests take effect, which can only be brought into harmony if a corresponding agreement is reached. It is obvious that lengthy and complicated adjustments and negotiations are sometimes needed, especially for matters relating to costs and expenditures, and that reductions in cost must not be carried out at the expense of other partners.

- Third, different practical approaches are necessitated or facilitated by the affiliation with certain countries and national economies because of their existing social and economic order, which has generated similar (CEMA-integration) or, with respect to third [countries], dissimilar political positions which from the outset account for differences in the cooperation between socialist partner nations among each other and the cooperation with capitalist partner nations. This is true in general, but especially of the search for agreements concerning optimization of the economy as a whole, where the points of departure for each side are completely different.
- Fourth, certain different interests, which may have their origin in internal, e.g. geographical, conditions may affect certain practical problems all the way up to questions such as national or foreign currencies, in which solutions, once they are reached, find their ultimate expression. In this connection, especially with reference to the question of the costs of international transportation, foreign currency policies and rates of exchange always play a special role.

We therefore must ask just what issues and complexes are referred to when we speak of the topic of "expenditure reductions" in connection with international cooperation in the area of transportation, as was done previously only in a very abstract and generalized way.

The following assessment concerns, of course, only the major directions, because of the complexity of the topic. First of all it is clear that, analogous to the general situation in inland traffic as well, efforts are underway to:

- reduce the need for transportation to the very minimum that is required by a society;
- to distribute the necessary transportation in an optimal way among the various kinds of carriers and routes; and finally
- further reduce unavoidable operations costs by means of rationalization of transportation in the case of the various carriers.

Because of specific international conditions, however, the effect of these efforts is not direct, but comes about in a modified way.

Thus it is e.g. completely correct to inquire about the transportation needs associated with international transactions. This question, however, cannot be answered based on transportation considerations alone, because it implicitly contains other questions directed towards other responsible, decision-making social bodies, that concern the possibilities of locale optimization in the case of integrative solutions from the viewpoint of transportation needs, or possibilities for the preparation of mass goods (eg. the concentration of ore) in order to lower transportation costs, among other considerations.

From the many and varied practical activities that characterize cooperation in the area of transportation, the following major areas of concern emerge:

- an economically efficient utilization of available transportation capacities and in particular of the infrastructures;
- an optimization of the long-term expansion of the infrastructures;
- improvement in the efficiency of the modes of transportation used for international transactions;
- increased efficiency in the work of transportation, especially by perfecting the technical and technological elements and sub-processes in the reproduction process of the respective carrier.

These major areas of concern are, of course, very closely related to each other; separate analyses and assessments can only be relative and serve only to provide more information about interconnections and interdependencies.

Below, these major areas of concern are examined more closely from the perspective of international commerce and international cooperation, with the differences pointed out between the cooperation in transportation matters among socialist partner states, on the one hand, and with partners from non-socialist countries, on the other. In the first area of concern, the focus for both in international and in inland traffic is on findings from the field of cost-dynamics, according to which:

- costs are reduced when the fullest and most evenly distributed utilization of capacity is reached; and
- infrastructure-costs of stationary facilities represent in their cost-dynamic behavior fixed costs, which can be specifically reduced by distributing an increased concentration of output over more output units.

In this connection, two facts should first be mentioned as point of departure for the actual international cooperation:

- First, the generally increased importance of international traffic for the utilization of existing capacities. This is reflected, for example, in the fact that in the period between 1970 and 1980, the increase in international traffic of the member nations of CEMA (MN/CEMA) amounted to 85% (in inland traffic it was an increase of 62 percent), while for selected West European countries the corresponding figure was 14 percent (a 2 percent increase for inland traffic).

The share of international rail transport in total rail transport (tkm) grew from 30.5 percent to 34.3 percent for the MN/CEMA (excluding the USSR), and with a corresponding increase for the West European countries from 21 to 24 percent.

- Second, the varying situations in the degree of utilization of existing capacities in the Socialist and in the West European countries, including the efficiency ratio resulting from this relationship. For example, the technical capacity quota per km of track in the socialist countries is three times as high:

	tkm/km
GDR, CSSR, PR of Hungary	4,030
FRG, France, Great Britain	1,740

These figures reflect, among other things, the efficiency of social regulating and planning for the utilization of capacities and of the effect of investments in its development, with a focus of cost- and energy-efficient rail transport. Soviet scientists have calculated that in 1982, about 35 percent of the transportation infrastructure in Western Europe remained under-utilized. In view of the decline in the volume of transported goods which has come about since then, it is likely that this rate is even higher today. Shipping in the capitalist countries shows the following tendency: the volume of tonnage moved per tdw dropped steadily from a figure of 7.99 t in 1970 to 5.81 t in 1975, to 4.89 t in 1980.

The principles underlying the transportation policy of the socialist countries, which aims at a high degree of economy, are also carried over into the direct cooperation between socialist states in the area of transportation. Planning and regulation are carried out in modified form in the international cooperation among MN/CEMA as instruments of an economically effective implementation of international transportation.

Thus, with the Standing Commission Transport a system of constantly updated transportation prognosis with respect to international transport and, in the next verification stage, a system of five-year plan coordination of transportation is firmly established in the CEMA. As far as e.g. the transport of goods is concerned, the transport volumes for the respective partner countries are determined for the major categories of goods in their distribution over the respective carriers based on the trends shown by the mutual trade of goods of the member countries of the CEMA.

This is a multi-stage process of iterative approximation to an optimal distribution system, taking into consideration existing capacities, the utilization of which [verb phrase missing] with the various kinds of traffic, the respective demands of foreign trade, and other factors.

Finally, this process continues in a third stage with annual protocols for transportation being drawn up, in which, at the beginning of the year, when the [figures regarding] the definitive volume of foreign trade are available, the concrete coordination of traffic is carried out. These protocols also contain the flow of transport that can be expected on the sea or rails, and selects the frontier railroad stations and the main connective routes, according to the volume of the flow of goods.

In terms of the objectives of transportation policy, it is expressly spelled out in CEMA's Long-term Target Program for Transportation that transports should be routed via economically efficient transportation variants. In keeping with this goal, the share of maritime shipping in the total volume of international traffic has been increased in stages, in order to better utilize the high degree of economy that characterizes this form of transportation. This objective is also included in the discussions which are currently underway, concerning transportation policy guidelines for the continued work of integration with a time-table of 1990 to 2000, with ferry traffic being added as an additional new technological variant for maritime transport.

Other possibilities for the routing of transports are being carried out as

well, e.g. the GDR's use of the combined Danube route for imports from southeastern Europe.

Detailed questions concerning these topics will not be discussed here. It should be emphasized, however, that all of these measures contribute significantly to a generally high degree of efficiency and, taking into consideration what may be termed the "normal" discontinuity in foreign trade, to the greatest possible uniform utilization of capacities.

This is shown, for example, in the figures for capacity utilization, which are particularly critical in terms of international traffic. The utilization of ship capacity among the MN/CEMA is c. 64.8 percent, the utilization of airline seating capacity among MN/CEMA is c. 69.6 percent, and the volume of cargo handled at harbors of CEMA member nations showed an increase of 50 percent for the period from 1970-1980.

Of course, the GDR will, in the future, develop and perfect this demonstratedly effective cooperation with the MN/CEMA. Improved methods of planning and the intensified application of computer solutions offer appropriate starting points for these future efforts. The problem of increasing efficiency and reducing expenditures is also on the agenda in terms of traffic between the socialist and the capitalist countries. According to figures compiled by the ECE, some 160-180 million tons of freight are transported annually between the MN/CEMA and Western Europe. In keeping with the nature of socio-economic conditions in the capitalist countries, this traffic is not viewed there as a problem of the national economy, and there is a corresponding lack of any kind of cooperative economic planning for this area.

This has as a consequence the fact that rationality and efficiency cannot be achieved via a direct planning and control of the utilization of the infrastructures, but that they can only be influenced by means of individual commercial decisions. On the part of the socialist states, to be sure, there is, in the segment of transport routes that lies within their jurisdiction, a certain control that overlaps different branches, on the basis of their foreign trade commitments, but this only leads to certain optimum values for the portion of total traffic covered by this. A systematic reduction of transportation costs as a whole cannot, however, be realized as a goal of corresponding cooperation. The so-called market economy does not allow for planning and planned division of labor, neither for inland nor for international traffic. In this regard, the transportation organizations in socialist states, which provide transportation at economically favorable prices for their foreign trade, consisting of export and import traffic, achieve cost-reducing effects. The economic effect consists of the fact that favorable transportation terms are made possible by means of rigorous efficiency in transportation, with these terms for their part facilitating additional foreign trade transactions, which again necessitate additional transports, thus contributing to the improved utilization of the infrastructures which participate in these transports.

In those areas in which there is or there could be direct and constructive cooperation, the socialist states have been and are prepared at any time to work in the direction of a smooth flow of traffic and the reduction of the costs of this traffic. This is true, for example, of the well-functioning cooperation in the establishment of universally acceptable quotas for rail

transit capacities in the form of the UIC system of transit quotas for transports to Italy via Switzerland and Austria, as well as for traffic across the Bosphorus.

Longer-term questions concerning needs projections, which are beginning to form the bases for discussion, such as the routing and consolidation of traffic into major arteries, also offer starting points in this regard.

Each practical measure in regard to routing increases the utilization of at least this part of the main traffic arteries [Magistrale], which are specially equipped and very expensive in terms of their construction and facilities, and thus reduces costs, in keeping with the first group of topics.

The longer-term achievement of efficiency in infrastructure policy is a second major specific objective, which will be discussed at length in the following remarks.

For the socialist states, this aspect is, in terms of content, only the logical completion of what has gone before, and will supplement the economic utilization of available funds by the economic creation of the prerequisites for favorable and efficient, or more efficient, transportation processes--here meaning in international traffic. Just as it belongs to the general principles of economic policy to plan on a long-range basis and in the investment decisions of today to lay the proper foundation for the efficiency of tomorrow, this is especially true in the transportation sector. Particularly in terms of the development of its infrastructures, implementation takes place only after long periods of time have elapsed.

In international traffic and in international cooperation, this connection exists, necessitating that a timely, far-sighted coordination of national measures be undertaken in mutual self-interest. In the period 1961-1965 this led, after the compilation of the results of early experience in the area of international coordination of transportation, to the design of a long-term development program for a network of traffic routes and to the designation of this subject as one of the primary objectives of the various CEMA programmes. Finally, as part of the move towards continued intensified cooperation, the Long-term Target Program Transportation was initiated, which outlined further concrete goals in terms of the systematic build-up of an efficient infrastructure network for the entire economic region consisting of the MN/CEMA, with a target date of 1990. The program includes, in the area of the expansion of the railway network, 2,100 km of new rail, 9,500 km reconstructed rail, 6,300 km electrification, 7,500 of railway km were equipped with automatic section blocking; furthermore, in the area of highways and expressways relevant for international traffic, the construction of c. 5,000 km of roads and the construction or improvement of c. 8,5000 km of expressways. These goals are currently being carried out. They are subject to the special supervision and support of CEMA's Standing Commission on Transport, which is the advisory body of the transportation ministers of the MN/CEMA.

The economic focal point of these activities is the systematic consolidation of traffic into efficient, major throughways and the needs-oriented development of their capacities. Studies indicate that as early as the 1970's, c. 90 percent of the traffic of the European MN/CEMA was channeled along 12 major routes, within a network of international importance.

Seen against the background of internationalization as the fundamental principle of development, the creation of main traffic arteries is proving to be a major tendency in the development of infrastructures. This means that, just as was the case in the historical development of the railroad network, when, after the earliest established single lines and local networks had grown together to form unified larger networks, a prioritizing of major routes took place, which led to the corresponding development of interregional base or trunk networks, in which additional secondary rail lines functioned as feeder lines or secondary connectors, today a process of international networking in the form of frontier-crossing main arteries is taking place.

In the international cooperation among socialist states, this is both a starting point and a result of the planned control of the development process, involving long-term, coordinated investment decisions, proportioning, etc. But in the West European states, also, the intensified formation of supra-regional networks is a noteworthy process, carried out against the background of the continued socialization and internationalization of production under capitalist conditions, and which is reflected in related discussions and resolutions of the central organ of cooperation among the Western European states in the area of transportation: the (West) European Conference of Ministers, CEMT.

This provides for the socialist states a point of departure for practical, constructive cooperation with non-socialist states, as they constantly strive for and practice this as a materialization of the Helsinki accords and the policy of peaceful coexistence within the transportation sector.

Cooperation within this framework takes place in two fundamental ways:

- a prioritizing of major arteries in East-West traffic in the case of overland carriers, especially in highway and rail traffic, and
- the corridor projects which are organized according to a broad perspective, or the discussions concerning these projects.

The first of these objectives has already become part of every-day practical policy in the form of continuous coordination between both sides in the development or expansion of the "E" highway network, on the one hand, as well in the form of the efforts to establish a Europe-wide network of major railroad arteries, on the other.

It should be noted in reference to these efforts that the main arteries that serve especially East-West and West-East traffic do not form a special category, but that in terms of the practical coordination of the parameters of all of the roads and rail lines that are included in the main arteries, it is in the interests of both sides to coordinate these traffic links with each other with the goal of an optimal inclusion in the drawing up of a corresponding Europe-wide total network.

The motivation underlying this cooperation should also be stressed, as it includes the efforts of both sides in the direction of the reduction of transportation costs. In this process, by means of every parameter that is established, the optimum must be achieved from construction and expansion expenditures in relation to expenditures and/or savings in terms of operational costs, as they can be attained by means of heavier or faster trains. This problem is further complicated by the fact that it is not only historical

networks and rail lines, including traditional expansion parameters and expansion opportunities based, for example, on uncontrolled construction, that must be taken into consideration. Other considerations include national evaluations and assessments, which can at times differ from each other, e.g. in the case of achievable time advantages depending on the length of the respective national segments.

In inland shipping, the process of the formation of new, trans-European inland shipping administrations is occurring concurrently with the general expansion of the total network of inland waterways. This involves projects that are in the planning stages or actually under construction, such as the Danube-Oder Canal, the Rhine-Main-Danube Canal, the Rhine-Rhone Canal, and the Danube-Aegean project. With each new link in these administrations, possibilities are enhanced for an inexpensive and energy-saving inland water transportation.

In terms of the second basic objective, also--the long-term discussion of the selection and "reserving" of traffic corridors for the perspectivist development of major traffic arteries, including further-developed and/or newly conceived transportation technologies-- the central issue is economy and the "timely" reduction of transportation costs, before they have been firmly established by parameters that basically can no longer be changed.

At the present time, this discussion has not yet been concluded. The basic tenets of the socialist position are clear. They place priority in terms of development on the variant that is of optimal value to society as a whole. The adjustment of interdependent effects in the concentration on a future preferred variant is in principle not unusual.

A third major focus of effort in the area of international cooperation in the interests of the optimization and the maximum reduction of transportation costs is the improvement of the economy of the modes of transportation which are used in international traffic. In this area, the chief task is to accelerate circulation of the means of transportation, to increase carrying capacity, and to avoid empty haulage, of course taking into consideration the relative differences that characterize the various carriers.

In line with these efforts, cooperation among the socialist states is also directed towards searching for and creating types of organizations that are suited to each specific kind of carrier.

Thus, in the area of rail transport, the Joint Goods Wagon Pool (OPW) was founded in 1964, in order to avoid the return to the homeland of freight cars that have been unloaded abroad, according to which "foreign" cars located here are counted in the transaction. Actual calculations showed a savings of about 30 percent in the haulage of empty cars.

Along the lines of this basic model, the so-called SPC regime was introduced for overland container traffic, which has served since 1978 to speed up the circulation of containers by promptly returning them to service once they have been unloaded. Calculations indicated a savings of about 15 percent in the haulage of empty containers. An additional factor is the total economic impact of container traffic in general. CEMA analyses indicate a savings of 4 Rbl per

ton in the reduction of standing times in relation to transportation--1/10 to 1/5 for the individual means of transportation.

In keeping with the specifications of technology and working organizations for the other types of carriers, here, too, additional solutions must be sought. Thus efficiency in international truck transport between the CEMA countries is achieved via a system of guaranteed loaded return haulage. In addition to internal coordination between the areas of transportation and foreign trade in order to ensure a correspondingly pre-programmed coordination of exports and imports in terms of truck haulage, mutual-support agreements exist between the shippers in the partner countries concerning the loading of vehicles making return trips. At the present time, CEMA is looking into the possibility of using a multilateral, computerized control system.

In the area of shipping, on the other hand, other forms exist, such as joint regularly-scheduled line service and pools, which affect all aspects of shipping, including service to third countries.

These are all examples of the efforts and solutions in the area of transportation policy within the socialist countries, all of which essentially aim at a high degree of economy for the transit parks used for international traffic, although each has a somewhat different appearance, depending on the respective carrier. Here, too, it is certain that not all reserves have yet been fully exhausted. Concerted efforts must be continued in this direction, both within the framework of existing forms of cooperation and in the continued search for solutions in the area of container shipping.

Within the capitalist states, interest also exists regarding the rationalization of transportation costs, and this provides an opportunity for constructive cooperation between this group of nations and the socialist states, even though many aspects of this process involve contradictory, complicated and even opposing tendencies.

In this regard, the most progress has been made in the area of rail transport, as for this mode certain rational organizational forms are available that have recourse to East-West inter-system traffic. Thus such solutions as, for example, the "Interfrigo" company or the EPP palette pool and in certain ways also the Intercontainer company help to rationalize the organization of carrier circulation, thereby reducing costs.

In the case of other types of carriers with other kinds of organizations, rational forms of cooperation can be implemented only in a very limited way due to the competition that exists in this traffic within and between the various branches. Nonetheless, the operational organizations of the socialist states take advantage of every opportunity to influence Western partners in the direction of improving circulation and the loading of returning carriers. On the commercial level, this constantly occurs, for example, via contracted and trusted shipping agents, in truck and inland shipping traffic, corresponding shipping agencies, etc.

In the long-term view, newer and more rational solutions in this regard are certainly conceivable. These could consist of technological applications in more comprehensive transit parks, eg. in container traffic, as well as of a more comprehensive application of computerized solutions to the problems of

ascertaining needs, notification or early notification to increase the utilization of capacity, etc. Practical approaches already exist in this area, e.g. via the unified organizational framework for multimodal transportation, which was created in the 1980 convention, and in the convention which is currently under negotiation, concerning the simplification and harmonizing of border-crossing formalities, where the use of standardized documents and checking and accounting procedures can result in accelerated and more cost-effective processing. In the case of rail transit, for example, the 1952 convention for the simplification of border-crossings for freight and persons brought about similar results. Other examples concern the necessary cooperation in the area of standardization, for example in the future enhanced combination of traffic, as in the "piggyback" system of ship-rail-truck container transport.

Finally, we turn to the last major focus of efforts toward the systematic reduction of costs, as was mentioned at the beginning of this article: making the work of transportation more efficient by perfecting technological and technical elements and sub-processes, to the extent that this has not been covered in the consideration of infrastructure and the circulation of the means of transportation.

This concerns all solutions regarding a more rational type of construction, the faster and cheaper accomplishment of projects, the absolutely minimal consumption of energy, the economy of materials, the production of spare parts, etc., etc., in short, the whole realm of the manufacturing reproduction process in construction, equipment, service and maintenance.

Each country provides its own solutions to these tasks in each factory and for each type of carrier, and at the same time works the solutions out via international cooperation. The cost-reducing effects of this type of international cooperation can be seen at a glance: the avoidance of parallel work, cost reduction through the utilization of processes and technologies that have already been developed and tested, and a more rapid practical application of scientific and technological progress.

The socialist states have organized the corresponding international scientific and technical cooperation as a planned, on-going work process of international cooperation, which is supplemented and permeated by forms of multilateral and bilateral cooperation. Thus the solution of a large percentage of all research and development tasks in the area of rail transit alone in the GDR has taken place by means of international cooperation. Examples of the fruitful cooperation that is constantly underway in this area cover the entire palette of technical, technological and economic questions, beginning with modern corrosion protection, to the use of isotopes in the maintenance of vehicles and the diagnosis of stress and damage in materials, on up to the type-projects for superstructure drainage, etc. The GDR alone, together with its partner countries, especially with institutions in the Soviet Union, works annually on over 200 different topics and tasks, each one of which contributes in a specific way to the rationalization of transportation.

In the tasks of this area, there is also a broad range of opportunities for international cooperation between the socialist and the capitalist countries. Today, many technical and technological problems related to the continued development of those carriers that frequently cross frontiers, i.e. in maritime

and air traffic, can only be solved via the technical commissions of the IMO or of the ICAO, including, in addition to the search for improved security, especially the continued rationalization and increased efficiency of operational procedures.

Similarly, the specifics of production organization in the railroad sector also require a certain minimum of technical and technological cooperation, which, by the way, is also successfully practiced in the area of research and development, if one thinks of the cooperation that exists in the ORE research branch of the UIC.

Some 20 topics of joint research, discussions and development projects indicate the way in which this cooperation is aimed at the immediate goal of cost reduction, especially in fuel consumption, here as, for example, in the area of power-operated transit in the IRU. The reports of experts contain cost-saving suggestions concerning the haulage of freight by truck, which naturally must be viewed in consideration of the conditions that have been calculated, but which can be utilized by all participants and applied to individual, practical situations.

They calculate, for example, the effects of the following, in order of importance, on fuel efficiency:

- technical innovations in vehicle-design: 4 - 9 percent;
- truck drivers' behavior while driving: 7 percent;
- improvement of the organization of assignment distribution: 7 percent;
- combined rail-road transport: 1 percent.

By means of such positive examples, it can easily be seen that these manifold "building blocks" of peaceful coexistence within the realm of international cooperation in the area of transportation can no longer simply be dispensed with--or, to put it differently, one could underscore again just how senseless, disruptive, and, finally, in the area of economics, as well, directly harmful all of those efforts of certain Western circles are that aim at contradictory developments. Here, too, economics and politics are directly and closely linked; here, too, as in general, providing for continued cooperation aimed at a further relative and absolute reduction of transportation costs remains a fundamental and strategic objective of transportation policy.

In keeping with the principle of progressing internationalization, the results of achievements in the area of international transit will continue to be felt.

As far as the socialist states are concerned, particularly within the framework of CEMA, international relations in the area of transportation will, in any case, continue to develop as planned. Transportation needs are increasing both qualitatively and quantitatively, and the scope of transportation work is growing.

These factors are taken into account in the closed, socialist economic integration, which is based on socialist planning and proportionality in the international dimension as well, with the goal of securing transportation and at the same time lowering transportation costs.

These requirements will continue to multiply in the area of transportation-related relations between the socialist and capitalist states, as well.

In this regard, the socialist states are prepared to engage in a broad range of avenues of constructive cooperation, and have repeatedly signaled this readiness--e.g. via the Soviet initiative aimed at an All-European conference on transportation.⁵ Independently of this, all other possibilities are consistently used for ongoing, practical cooperation within the transportation organizations of the UN, in non-governmental organizations and in a bilateral framework.

In this regard, a final comment should be made: the reduction of costs is now, and will remain for the future, an ongoing, general objective in the field of international cooperation.

1. Programme of the SED, Dietz Verlag Berlin 1976, p. 26 f.
2. Honecker, E.: "Bericht des ZK der SED an den X. Parteitag der SED" [Report of the Central Committee of the SED to the 10th Party Congress of the SED] Dietz Verlag Berlin, 1981 p. 56f.
3. Honecker, E. "From the Politburo's Report to the Central Committee of the SED," Dietz Verlag Berlin 1984, p. 31.
4. cf. Interview with Minister Arndt, "DDR-Verkehr" No. 1, 1985.
5. Gerber, H.: "Die internationale Arbeit des Verkehrswesens der DDR" [The International Work in the GDR's Transportation Sector] in: "DDR-Verkehr" Berlin 16 (1983) 6, p. 164.

12792

CSO: 2300/466

ALBANIA

ALIA INFORMED OF HARVEST RESULTS IN COUNTRY

Lushnje Wheat Harvest

AU030903 Tirana ATA in English 0745 GMT 3 Jul 85

[Text] Tirana, 3 July (ATA)--Comrade Ramiz Alia, first secretary of the CC of the PLA, has received a letter from the plenum of the party committee of the district of Lushnje which says among others:

The plenum of the party committee joyfully informs you that the working people of the district of Lushnje with the communists at the head realized and overfulfilled the plan of wheat production and that in the entire 15.411 hectares area they took an average yield of 42 quintals per hectare, from 41.7 quintals per hectare that was planned, also realizing its planned delivery to the state.

This year the campaign for the new bread concluded earlier than any other time. The harvesting ended 2 days ahead of schedule and threshing was performed 10 days earlier than the time limit set in the decision of the council of ministers. These results are a direct expression of the great mobilization and impetus at work on the part of the entire people of our district, and expression of turning into strength the profound grief the great loss of our glorious leader Comrade Enver Hoxha caused among all the communists and our people.

The "Stalin" agricultural cooperative of Krutja, which is the first agricultural cooperative formed in our country, took the highest yield, ensuring 49.5 quintals per hectare in a 750 hectares area. The cooperative of Kemishtaj, which bears the title of "heroine of socialist labor", received 49.1 quintals per hectare in 580 hectares of land. These cooperatives are followed by the agricultural cooperatives of Toshkez, Sarava, Fiershegan, Golem, etc. A yield of 46.6 quintals per hectares was taken in the 9.400 hectares lying in the area where priority has been given to the intensification of agricultural production.

22 August 1985

The fact that many economies, sectors and units have ensured stabilized and increasingly higher yields in wheat production is also rather satisfactory. The agricultural research institute in Lushnje and the economic enterprises in this district have made their own contribution to these achievements.

The overfulfillment of the wheat production plan testifies to the correct agrarian policy that our party has always followed and is following, to the immortal teachings of Comrade Enver Hoxha and to the total superiority of socialist order in our country.

The successful accomplishment of the wheat campaign occurred parallel to the realization of other tasks on various fronts of work and production. All the economic enterprises realized the six month plan of the total industrial production by 105 percent, turning out products estimated at 10 million leks more than planned, the export plan was realized by 102 percent, the gas production by 100 percent, the transport volume by 100 percent, the public services by 101 percent. In agriculture the plan of potato export was realized 101 percent and that of tomato by 100 percent, the milk and meat delivery to the state was also realized by 100 percent.

Under the leadership of the party bearing always in mind the brilliant teachings of Comrade Enver Hoxha and your very valuable instructions Comrade Ramiz Alia during your visits to the district of Vlore and Fier, the working people of our district will exert all their energies to carry out all the tasks, to strengthen further the unity of the people round the party and to look forward to the 40th anniversary of the distribution of land title deeds among the people of Myzeqe by Comrade Enver Hoxha with ever higher results.

Berat Cooperative's Results

AU160801 Tirana ATA in English 0740 GMT 16 Jul 85

[Text] Tirana, 16 July (ATA)--The cooperativists, specialists and cadres with the communists in the lead of [words indistinct] type agricultural cooperative "heroine of socialist labor" of Lapardha, Berat district, have continuously implemented in their daily work the much valuable teachings and instructions of Comrade Enver Hoxha, who has met them several times, exchanged letters with them. These days, they scored a new success: In all the area sown to wheat they took in 2.5 quintals of wheat per hectare over the set yield, delivering 3,000 quintals of wheat more than planned. The plan of wheat production for the 7th Five Year Plan is overfulfilled with 13,700 quintals.

Of this success and other achievements regarding the agricultural and livestock products, the cooperativists of this economy inform the First Secretary of the Central Committee of the Party comrade Ramiz Alia through a letter they have sent him these days.

Striving to put into life the objectives of the revolutionary drive "Standard Bearers in Implementing the Teachings of Comrade Enver Hoxha" the cooperativists of Lapardha realized and overfulfilled the plan of production and delivery of vegetables, milk, eggs and fruits for the first half of the year. The tasks of export too are overfulfilled. The increase of agricultural and livestock products has led to the continuous improvement of the supplying of the cooperativist families. The cooperativists are working these days with great mobilization to put into life the pledges they have undertaken in regard to the production of other crops.

Fier Wheat Harvest

AU181252 Tirana ATA in English 0730 GMT 18 Jul 85

[Excerpts] Tirana, 18 July (ATA)--Comrade Ramiz Alia, first secretary of the Central Committee of the PLA has received a letter from the meeting of all the representatives of agriculture of the District of Fier, which says among others:

We inform you with great joy that we overfulfilled the plan of wheat production by 11,500 quintals and finished its delivery to the gathering enterprise. An average yield of 39.7 quintals per hectare from 39.1 quintals that was the plan is taken in all the area of 19,046 hectares. In 9,900 hectares of the zone of intensification with priority a yield of 47.2 quintals per hectare was taken, whereas in the hilly zone of Mallakaster an average yield of 34.4 quintals per hectare was taken.

Elbasan Overfulfills Plan

AU231115 Tirana ATA in English 1030 GMT 23 Jul 85

[Text] Tirana, 23 July (ATA)--Comrade Ramiz Alia, first secretary of the Central Committee of the PLA received a letter from the plenum of the party committee of the district of Elbasan, which says among others:

Through a militant spirit, scientific organization and direction, by applying the advanced technologies, we overfulfilled the pledge taken before you, by producing 10,400 quintals of wheat over the plan. In all the area of 13,603 hectares planted with wheat there were taken 31.1 quintals per hectare, from 30.3 quintals per hectare that were planned. With this success, our district reached a new height, it overfulfilled the plan of wheat production for the 7th Five Year Plan by 103 percent, producing 56,600 quintals of wheat over the plan.

This success is a result of the correct Marxist-Leninist line of our party and a concrete materialisation of the teachings of the great and unforgettable leader Comrade Enver Hoxha. This important achievement expresses clearly the unprecedented mobilization to keep the pledge. It is a significant fact showing that we have turned into strength the great grief over the loss of the dearest and the most respected man of our hearts.

On this occasion, we assure you once again dear Comrade Ramiz Alia that under the leadership of the party with you at the head having always in mind and heart the teachings of Comrade Enver Hoxha we shall exert all our energies to realize the tasks set by the 12th plenum of the Central Committee of the PLA.

CSO: 2020/179

CZECHOSLOVAKIA

HOUSING SITUATION ANALYZED BY GOVERNMENT OFFICIAL

Prague INVESTICNI VYSTAVBA in Czech No 4, 1985 pp 110-114

[Article by Alois Andrlé, doctor of natural sciences: "The Intensification of Economic and Social Development and Active Citizen Participation in Meeting Housing Needs"]

[Text] The exceptional and unprecedented development of housing construction in the 1960s and primarily the 1970s was accompanied by certain consequences in popular attitudes. It causes above all a premature optimism that it would be possible to resolve the apartment shortage in relatively short time. It caused an increase in demands on public resources, led to the neglect of the existing housing stock, and a premature and excessive decline in the number of apartments, among other things.

The expansion of housing construction was also evident in a rapid increase in the volume of construction of single family houses [RD] in the CSR in the 1970s. This growth in RD construction was undoubtedly connected with the increased standard of living and real incomes of the general public (especially those in agriculture); it was also a manifestation of increased demands on the quality of housing. The society supported this increased RD construction with a number of measures and also offered incentives for innovative forms of this type of housing construction. However, since the sharp increase in mass housing construction the building of RD has been, rather, a supplementary activity in housing construction. Under conditions of extensive housing construction and the extensive management of the housing stock little attention has been paid to the importance that active citizen participation in the satisfaction of housing requirements and the large existing amount of housing under private ownership have for efficient housing construction and housing stock management. Only the changing economic conditions of the 1980s have forced us to take a fresh look at these questions, to newly evaluate the position and function of RD construction, its current problems, the step that are being taken to maintain the existing RD stock and modernize it, and what is happening to neglected existing RD structures.

An increase in the effectiveness of economic development, an essential requirement of the period after the 16th CPCZ Congress, must be implemented in all areas related to the satisfaction of housing requirements. The shift from extensive to intensive development is being implemented gradually in housing

construction, with great sensitivity to the fact that housing is among the basic human needs and forms an important part of the standard of living, that measures in the area of housing have important public consequences because housing generally places great demands on public resources, and because it is also one of the important factors in economic growth. Programs in this area always involve a number of various, mutually coordinated measures, both conceptual and operational. To achieve greater efficiency in housing stock turnover, for instance, new principles were established for the housing policy of the Seventh 5-Year Plan, according to which the first half of the 1980s would see the necessary net increase in quality housing while greatly reducing the amount of new housing construction. This would be achieved by modernizing old housing and maintaining the existing stock to keep from losing any units. Those involved in new housing construction have been directed to conserve resources, especially agricultural land and energy. The strategic goal being gradually met is to decrease the losses during the operation and utilization of housing stock under state ownership.

In connection with these strategic and tactical objectives of the intensification process in housing policy, active participation by the general public, which has always been one of the basic characteristics of the socialist system, is becoming more and more important.

Active citizen participation in the satisfaction of housing requirements is being implemented, in addition to institutionalized and organizational forms of cooperative housing, most effectively in the area of RD construction for the personal ownership of citizens. The same is true of the use, maintenance and modernization of such houses.

RD construction is a form of activity in which active citizen participation in the construction of their own houses is substantially greater than in the same sort of programs sponsored by cooperatives, both in terms of financing and in terms of performing the work involved.

Of all the capital forms of housing construction, RD construction places the fewest demands on the public financing of housing construction, and requires only a relatively small amount of subcontracted work and maintenance. The modernization and repairs to RD under private ownership is financed only by the owners.

RD construction forms a critical part of privately handled housing construction; all other such private housing construction, especially in the SSR, is of only secondary importance by comparison.

The fact that RD construction is a nationwide activity, and is not solely the affair of a few individuals is shown by its fundamental and growing share of total housing construction. In the Fifth 5-Year Plan this percentage was 27.2 percent for the CSSR, 23.7 percent of the CSR and 33.8 percent for the SSR; in the Sixth 5-Year Plan the figure for the CSSR increased to 28.7 percent, that for the CSR to 28.4 percent and that for the SSR to 29.1 percent. In the Seventh 5-Year Plan - despite diminished RD construction - the percentages should read 32.8 percent for the CSSR, 33.3 percent in the CSR, and 31.9 percent in the SSR.

In the Seventh 5-Year Plan, RD construction is slated to be the most important form of capital housing construction after cooperative apartment construction, and will account for a majority of do-it-yourself construction.

The importance of RD construction in the Seventh 5-Year Plan will continue to be that it represents almost 50 percent of public housing construction. In other words these are projects which can be used to satisfy the housing needs of those households which do not have the resources to obtain housing from stabilizational housing construction (in the CSSR 48.9 percent, the CSR 49.1 percent, the SSR 48 percent of total housing). RD construction will therefore be the most vital form of public housing construction, but the fulfillment of its planned tasks will also depend to a great extent on the satisfaction of the housing requirements of households which have been designated to receive decreasing allocations of public housing. Of the planned number of apartments which are to be built by do it yourselves in the Seventh 5-Year Plan, RD construction in the CSSR accounts for 83.7 percent, 79.4 percent in the CSSR, and 92.2 percent in the SSR.

RD Construction of Public Interest

The fundamental characteristic of RD construction is that it is the only form of housing construction for individual ownership in which the investors are individual citizens. The extent of RD construction, location and placement, the techniques used length of time involved, land use, etc. therefore depend to a large extent on the individual builders, whose interests and decisions are not necessarily in accord with public requirements.

RD construction cannot, nevertheless, be considered a purely private matter for the builder. Society has an interest in the further development of RD construction; the state supports it and facilitates it with an entire system of financing, credit, and other measures (the construction of public utilities, procurement of plots, etc.). It is also true, however, that the wishes and conceptions of individual builders cannot determine the future development of RD construction. This development must be planned in terms of the possibilities organized and provided by the state in the sense of state requirements for housing, economic and technical policies. These must be the essential, objective regulator of individual wishes. This is not only a matter of the use of building lots, financial support by society, the procurement of materials and accessories, the construction of the requisite infrastructure, etc. Do it yourself RD builders are under the impression that they are doing this for themselves alone, when in fact they are a part of an entire stream of effort by the society to resolve the housing shortage. They are, in other words, building for the society as well, and RD construction must therefore be viewed always in conjunction with the conditions of contemporary society and future generations, which RD construction will still serve, given its several generation of useful life expectancy. This has an impact on land use, territorial development, the environment, the evolution of population centers, the development and distribution of the work force, etc.

For all of these reasons there is a need systematically to monitor the evolution of RD construction with the objective of finding out in a timely manner all of the negative consequences of this trend and take corrective actions against them either with immediate countermeasures or with long range conceptual decisions.

Basic Recent Developmental Trends in RD Construction

Information concerning RD construction, to be sure, leaves a few gaps, but nevertheless is much more detailed than for other types of housing construction. This makes it possible for Terplan to formulate over the long term annual analyses of all the most important developmental characteristics and trends evident in RD construction for the use of the relevant central agencies. These heavily documented analyses may be used as a basis for describing selected phenomena and processes which are basic in terms of long range conceptual objectives. The most recent of these analyses makes use of data through 1983.

With this in mind it is pertinent to call attention to the increasing trend in the number of apartments completed in RD. This trend must be evaluated, however, with a view to the fact that this completed construction reflects the situation in the housing market of about 5 years ago, in other words with considerably delay.

The amount of completed RD construction has been declining over the long term, specifically since about 1977. This unfavorable trend, which indicates a decline in the amount of this most efficient form of citizen participation in the satisfaction of housing requirements, continued in the Seventh 5-Year Plan. This put it in direct conflict with demands to intensify housing construction.

In 1983 only about 29,000 apartments were completed throughout the CSSR, 18,600 in the CSR and 10,400 in the SSR. This confirmed the expectation that the small increase in the number of completed apartments recorded in 1982 was in fact a temporary phenomenon. The declining trend dating from the mid-1970s is, basically, continuing, and corresponds to the gradual decline in the number of RD apartments which were begun 3-5 years ago. This meant that in 1983 substantially fewer apartments were completed than in 1977, the peak year so far for this activity. The figure for the CSSR was 11,100 fewer apartments, or 27.6 percent, with the decline for the CSR being 7,600 apartments (29.1 percent) and for the SSR 3,500 apartments (24.9 percent fewer).

RD construction in the CSSR over the first 3 years of the Seventh 5-Year Plan (1981-1983) accounted for 30.2 percent of all housing construction in the CSSR, 30.4 percent of CSR housing construction and 29.8 percent of SSR housing construction. This clearly does not fulfill the projections for the percentage of total housing construction to be handled by this form of construction in the Seventh 5-Year Plan. The intensity of this type of construction is also declining (defined as number of apartments completed per 1,000 middle income citizens). The value of this indicator in 1983 declined significantly from the annual average of the Sixth 5-Year Plan: for the CSSR as a whole from 2.46 to 1.88 apartments (a 23.6 percent decline), for the CSR from 2.30 to 1.81 (a 21.3 percent decline), and in the SSR from 2.77 to 2.06 (a 25.6 percent decline).

Based on housing starts in the past it may be anticipated that the declining trend in the number of apartments completed in RD will continue in the remaining years of the Seventh 5-Year Plan as well as in the initial years of the Eight 5-Year Plan.

Since the number of apartments completed during the first 3 years of the Seventh 5-Year Plan are already known it may be projected that nationwide for the entire Seventh 5-Year Plan only 144,000-146,000 apartments will be completed, 91-92,000 in the CSR and 53-54,000 in the SSR. This would represent a very significant shortfall in terms of plan projections; of 13-15,000 apartments in the CSR (8-9 percent) and of 5-6,000 apartments in the SSR (8-10 percent).

Still more significant than the number of completed apartments is the evolution of the number of apartments which are started in RD, because these determine what can be expected to be completed in upcoming years. In these terms the poor performance in RD housing starts may be considered as one of the most serious of the negative phenomena in this area.

The number of RD apartments started annually has for some time been declining in the CSR, and therefore nationwide, since 1975, and in the SSR before this. This trend continued during the first 3 years of the Seventh 5-Year Plan, including 1983.

In 1983 only 24,800 apartments were started in RD in the CSSR (3.1 percent fewer than the previous year), 15,100 in the CSR (5.3 percent less) and 9,600 fewer in the SSR (only 40 apartments more than the previous year).

In comparison with 1974 the number of RD apartments starts declined in the CSSR by 19,700, a 44.3 percent decrease. The figures for the CSR and SSR were 15,500 apartments (50.7 percent) and 4,200 apartments (30 percent) respectively. The decline in starts in the CSR accounted for 78.9 percent of the total nationwide shortfall between 1974 and 1983.

The potential interest on the part of citizens in RD construction is large. This is confirmed by all research studies to date, in which people have stated that they consider RD construction the most advantageous form of housing. In conflict with this an ever smaller proportion of these people choose this form of housing and a still smaller fraction actually begin such a project.

Figures on the intensity of RD construction starts document this slump in the average realized interest of citizens in RD construction. In 1974 3.03 RD apartments were started per 1,000 citizens in the CSSR (3.6 in the CSR and 2.95 in the SSR), while in 1983 the figures for the CSSR were 1.61 apartments (a decline of 46.9 percent), reflecting figures of 1.46 for the CSR (52.3 percent less) and 1.91 for the SSR (35.3 percent less).

The decline in the intensity of RD construction starts in the past decade has been so sharp that the possibility must be considered that the decline will level off in upcoming years, or become constant.

It is not probable, however, that the Eighth 5-Year Plan will see any significant revival in realizable citizen interest in RD construction. This trend is the result of a complex of objective and subjective reasons which can be rectified only by an entire set of interrelated and quite fundamental systemic measures. These types of measures require long lead times for preparation. Only some of the necessary measures could possibly be implemented in the Eighth 5-Year Plan. For this reason this period is not likely to become one of any substantial increase in RD construction starts. Rather, it should be used for the preparation of those systematic measures which hold the promise for an increase in this type of housing starts, beginning in the 1990s.

The number of apartments that are incomplete is also developing in an undesirable direction

The number of incomplete apartments has been declining since 1975, but at a slower rate than the numbers of housing starts. In the past 10 years (1974-1983) the number of such apartments declined by 30,100 or 22.4 percent (by 22,700 in the CSR or 24.7 percent, and by 7,400 in the SSR or by 17.6 percent). Of the decline nationwide, 75.3 percent was due to declines in the CSR.

This development could be called favorable only in the event that the decline in incomplete apartments came about due to shortened construction times for houses and apartments. But since the excessive length of time that projects remain incomplete has not shortened, the declining number of incomplete apartments in RD construction simply means that the base from which RD apartments will be completed has declined.

The average construction time for new RD construction and apartments completed as add-ons to previous RD construction, has lengthened in recent years. RD construction completed in the past 4 years has had an average construction time of more than 4.5 years. Even less demanding projects such as add-ons to existing structures take about this length of time. This persistent trend, which undoubtedly indicates that the difficulties facing do it yourself builders in RD construction (especially in terms of completing projects) are long term in nature, and further supports the contention that even in upcoming years the length of time for completing RD construction will not shorten significantly.

Of the RD projects completed in the CSSR in 1983 only 24.2 percent were completed in the acceptable time frame of 3 years or less (21.2 percent in the CSR and 28.1 percent in the SSR). At the other end of the spectrum more than 25 percent of all completed RD projects took more than 5 years to complete.

The number of completed RD projects in the Seventh 5-Year Plan is more or less determined by starts prior to 1982; projects begun at a later date will be included in the list of projects completed during the Eighth 5-Year Plan.

Even if we could increase the number of apartments begun in RD construction in 1984 and 1985, which is unlikely, it would have no substantial impact on task fulfillment for the Seventh 5-Year Plan.

The number of starts in RD construction is, in other words, of critical importance for the development of this type of construction. In view of the long construction lead times, the number of starts, for practical purposes, determines the number of projects that will be completed in the next 3-5 years. The development and status of starts and incomplete RD construction projects form the basis for highly reliable predictions on plan fulfillment and the actual future development in the number of apartments to be completed in upcoming years.

The number of starts and construction lead times for houses may be considered without a doubt to be the key issues in the further development of RD construction. At the same time this apparently isolated problem of one form of housing construction actually has an impact on the aggregate scope of overall housing construction for the Eighth 5-Year Plan.

In these terms the current long term trend in RD construction starts should be taken as a cautionary process of fundamental significance, with serious impact on housing construction through the remainder of the 1980s.

One positive trend is the increasing percentage of group homes in total completed RD construction. This percentage of group homes is, however, still increasing only at random and is significant so far only in the CSR. Even here the figures are not at the desired level, especially incertain okreses. Group homes accounted for 13.7 percent of completed housing in the CSSR in 1979 (21.3 percent in the CSR and 4.1 percent in the SSR); in 1983 their percentage had increased to the inadequate level of 17.7 percent in the CSSR (26.7 percent in the CSR and only 5.5 percent in the SSR); 86.9 percent of completed group homes was in the CSR. Progressive techniques for RD construction making greater construction density possible, and therefore reduced use of building lots, are being applied slowly. Construction density is also being negatively impacted by regulations governing the preservation of the agricultural soil stock (e.g. economically viable group housing often requires the requisitioning of agricultural land) and a shortage of locations that have been prepared to accept the large scale construction of groups of houses. Recently very extensive attention has been paid to the preparation and approval of a list of lots suitable for RD construction. Providing the construction of the necessary public utility infrastructure for these locations will, however, be a complicated problem. Efforts must continue to use lots in already built up portions of towns.

From the public viewpoint attention must be paid as well to certain aspects of RD construction which influence materials consumption and to the contribution that a given RD project can make to satisfying housing requirements without increasing its size.

The enclosed liveable space (cubic volume) of completed RD construction continues to be large in relation to the number of apartments gained (the number of 2 apartment RD are declining) and gains in the amount of living space. The cubic volume of completed RD construction again improved in 1983. The average space of a completed RD project in 1983 was 813.3 cubic meters in the CSSR (863.2 cubic meters in the CSR and 744.9 cubic meters in the SSR).

The living space gained in completed RD projects per 100 cubic meters also decreased in 1983 to 10.06 square meters in the CSSR (9.67 square meters in the CSR and 10.69 square meters in the SSR).

Areas of underutilized capacity for increasing the efficiency of RD construction include the greater use of add-ons to existing structures and increasing the number of 2 apartment RD projects.

Add-ons to existing RD are an effective technique for increasing the number of apartments while at the same time increasing the valuation of older RD structures (which are frequently related to the modernization and adaptation of RD). In terms of intensifying housing construction this is worth no less attention than the modernization of apartments.

The number of apartments gained by add-ons, however, is declining. In 1976 add-ons to existing RD in the CSSR accounted for 6,000 completed apartments, or 15.2 percent of all RD apartments completed (5,600 in the CSR or 22 percent and 400 in the SSR or 2.9 percent). In 1983 the figure for the CSSR had declined to 4,000 apartments (33.2 percent fewer than in 1976 (3,600 in the CSR or 36 percent fewer and about 400 apartments in the SSR). Apartments gained by add-ons accounted for 13.9 percent of all completed RD construction nationwide in 1983, 19.4 percent in the CSR and 4.1 percent in the SSR. An important factor in this development is the law concerning apartment management of 1964 which limits the control of the owner of a house to no more than a second apartment in that house.

It would also be desirable to build new RD construction as much as possible with 2 apartments. This would reduce the average cost and materials consumption per apartment increase the number of apartment in houses and thereby the population density of construction lots.

The number of 2-apartment RD construction, in contrast to this matter of the public interest, is declining and is already low, especially in the SSR. In 1976 7,200 2-apartment houses were built in the CSSR (5,400 in the CSR and 1,800 in the SSR), while in 1983 the figure nationwide was only 2,800 such houses, or 59.8 percent fewer (2,100 or 60.3 percent fewer in the CSR and 700 or 58.5 percent fewer in the SSR). As a percentage of all completed housing such units declined from 27.2 percent to 13 percent for the CSSR, from 37 percent to 16.7 percent of the CSR, and from 15.1 percent to 7.9 percent in the SSR over this period.

The main reason for this development are the incentives provided for such construction as well as the apartment management law (builders are more and more often building houses with one large apartment but with the amenities necessary for the independent keeping of two households).

The average number of apartments gained per completed RD construction project is declining, while the average size of each apartment is increasing. The average living space per apartment in completed RD construction has increased in the CSSR from 64.1 square meters in 1978 to 72.4 meters in 1983 (in the CSSR from 62.2 square meters to 71.5 square meters and in the SSR from 66.6 to 73.7 square meters).

The average living space per apartment in new RD construction is more than 50 percent more than in apartments completed in new apartment houses.

The space occupied by completed RD projects is declining. Construction lots for new RD projects completed in 1983 amounted to a total of only 1,512 hectares in the CSSR (880 hectares in the CSR and 632 hectares in the SSR). This is a decline of 26.9 percent compared with houses completed in 1976 for the CSSR (22.5 percent for the CSR and 32.2 percent for the SSR. Personally built-up space accounted for 17.1 percent of total construction plots for the CSSR in 1983 (17 percent for the CSR and 17.1 percent for the SSR). It is estimated that roughly 80 percent of the requisitioned land (including agricultural land) serves after the house is constructed for the raising of fruits and vegetables and for gardens.

The average size of a construction plot per completed RD project is also declining. In 1976 this amounted for the CSSR to 784.3 square meters (7778.9 square meters in the CSR and 790.0 square meters in the SSR, while for houses completed in 1983 the figures were 638.6 square meters for the CSSR (a decline of 12.8 percent), 687.2 square meters for the CSR (11.8 percent less) and 678.5 square meters (14.2 percent less) for the SSR.

New RD construction, completed in the CSSR in the 1979-1983 period represented work according to statistical data (which probably underestimates the actual value), valued at Kcs 31.7 billion (Kcs 18.9 billion in the CSR and Kcs 12.8 billion in the SSR). This is work done primarily by to it yourselves and funded by the private resources of the population. The average value of a single RD construction has increased according to statistics. In 1976 the average value of such a project was Kcs 236,700 in the CSSR (Kcs 255,500 in the CSR and Kcs 2113,500 in the SSR), while in 1983 the figures were Kcs 286,100 nationwide (Kcs 305,000 in the CSR and Kcs 260,100 in the SSR). The procedure for assessment should be thoroughly checked. There is clearly a tendency to undervalue which is clear from the market prices brought by earlier RD structures when sold among citizens. The actual average value of new RD projects would probably be in the range of Kcs 400,000 if valued at market value. If this technique would be used the true value of RD projects completed in the past 5 years (1979-198) (116,362 houses in the CSSR, 64,559 in the CSR and 51,803 in the SSR) would be on the order of Kcs 46.5 billion nationwide (Kcs 25.8 billion in the CSR and Kcs 20.7 billion in the SSR).

The above figures demonstrate the great importance of RD construction in terms of national wealth and the value of property owned by our citizens. If one adds the costs of the internal equipment of these new RD construction projects one has yet another piece of evidence supporting the importance of this type of construction in terms of the exercise of purchasing power, the structure of individual expenditures and the product mix in consumer goods inventories.

RD Housing Stock Replacement and the Modernization Issue

If we want to evaluate the fundamental position and function of RD construction from the viewpoint of intensifying economic and social development we cannot limit ourselves solely to new RD construction. It is necessary rather to evaluate at least provisionally the entire process of RD housing replacement, including the handling of this substantial portion of our national wealth, how RD apartments have been modernized, what the status is of existing RD structures, and what the potential is for modernizing RD apartments.

This evaluation can be conducted only generally if it is to be effective.

First of all it must be stated that in 1961 (based on a census of people, houses and apartments) there existed in the CSSR 2.567 million permanently inhabited RD apartments, which was 67 percent of the total number of apartments nationwide (1.776 million apartments in the CSR of 62.4 percent, and 791,000 in the SSR or 80.3 percent of the total).

Between 1961 and 1980 the number of RD apartments increased by 26.9 percent in the CSSR. In the CSR 376,000 apartments were added (a 21.2 percent increase) and in the SSR 316,000 were added (a 39.9 percent increase). These increases are not directly comparable to total housing construction.

The gross increases in RD apartments, in other words, accounted in the 1961-1980 period for a substantial portion of the nationwide effort to deal with the quantitative aspect of the housing question. As such the construction of these apartments accounted for 33.4 percent of total increase in apartments in the CSSR (28.2 percent in the CSR and 42.8 percent in the SSR).

The bottom line of these large increases in RD apartments, which represented an important input of active participation by citizens in dealing with the housing problem, was however fairly small, because it was working against a large decrease in the housing stock, one which was relatively much larger than the number of apartment house units.

Of the permanently occupied apartments accounted for in 1961, 827,000 were no longer a part of the 1980 census for various reasons. This is 32.2 percent of the 1961 total. For the CSR the figures were 547,000 apartments (30.8 percent) and for the SSR 280,000 apartments or 35.4 percent. For the CSSR as a whole, as a result, losses to the stock of housing in the RD sector were relatively greater than the total increase in apartments. In the SSR the losses were only slightly less than gross increases.

This large decline in RD apartments seriously affected the national interest. Of the total loss to the housing stock, 83.6 percent fell to the RD sector in the CSSR, 80.3 percent in the CSR and 91 percent in the SSR. It may therefore be stated that the large decline in RD apartments more or less determined that there would be a decline in the total stock of housing. It may even be assumed that had greater care been taken in utilizing older RD structures and more consistent public control been applied to the management

of existing RD structures the overall decline in the housing stock would have been reduced, even possibly to the point where even if there were no increase in the amount of housing construction we would have had the apartment problem resolved for practical purposes by the end of the 1970s. The management of the RD housing stock then had far reaching socio-political consequences. These were issues that affected the interests of the entire society and in no way only those of the individual owners of existing RD housing.

It is true that not all apartments excluded from permanent habitation in RD actually were destroyed. In the CSR for instance a significant number of them continued to be used for recreational purposes (the 1980 census listed 112,000 apartments in the CSR that are lived in part time and are also used for recreation; the number of such apartments in the SSR was not even 10,000). A number of other apartments were excluded because proof was given that apartments had been joined, usually because the owners of RD structures with 2 apartments had declared these houses as one- apartment houses for the census. Also to be considered is that most of the apartments excluded from the 1980 census were of low quality that were no longer fit for habitation. All of this does not change the fact, however, that every loss of a permanently inhabited apartment generates the need to replace it with a new housing unit.

No society can allow itself to carelessly allow value created in the past to be written off prematurely. The writing off of a large number of RD apartments, a significant portion of which could provide permanent living quarters (and, with some modernization even a high quality habitation, as shown by instances of "recreational" cabins), places a significant burden on those attempting to deal with the housing issue.

The foregoing numbers indicate both the extensive character of RD housing stock replacement in the past and the need to remain conscious of measures designed to facilitate as rigorous as possible management of RD apartments in the 1980s and 1990s.

The high losses in the apartment stock meant that between 1961 and 1980 the RD sector in the CSSR lost a total of 135,000 units, or 5.3 percent of the base number in 1961. In the CSR the net loss was 171,000 apartments (9.6 percent of the 1961 total) and in the SSR to a net gain of 36,000 units (5.4 percent).

As a result of the foregoing the 1980 census counted in the CSSR 2.432 million permanently inhabited RD apartments (a decline to 49.5 percent of the total housing stock). There were 1.605 million apartments in the CSR (a decline to 45.9 percent of total housing) and 827,000 in the SSR (58.5 percent of all apartments).

Despite the unfavorable replacement of the housing stock in the 1960s and 1970s there remained at the start of the 1980s a large number of RD apartments which constituted an important part of the national wealth, and which we must take greater care in managing in the future.

This means not only protecting these apartments with administrative measures (even though these will be necessary to prevent the shifting of apartments to nonresidential uses and to prevent fictitious losses), but above all to assure the careful maintenance of the RD housing stock and the modernization of apartments that are a part of it.

This is a task of considerable difficulty, as is clear from data on the age of apartments. For example, the average age of permanently inhabited RD apartments is 42.9 years nationwide (as opposed to 28.3 years for apartment houses). In the CSR the average age is 48.3 years (only 31.8 years for apartment houses), and in the SSR 32.6 years (only 17 years for apartment houses). In 1980 623,000 apartments remained in the RD sector which has been built before 1920 (25.6 percent of all permanently inhabited apartments in the RD sector). In the CSR 507,000 apartments were of this age (31.6 percent) and in the SSR 116,000 (14.1 percent).

Clearly we also cannot underestimate the fact that in recent years substantial modernization has taken place in the RD housing stock. Experts estimate that between the 1970 and 1980 censuses alone modernization programs converted 450,000 apartments in categories III and IV in the RD sector of the CSSR to apartments of categories II or I (about 330,000 in the CSR and 120,000 in the SSR). In all cases this was a matter of modernization conducted by RD owners at their expense (without special contributions or subsidies), and in part with the owners performing the work involved.

If in the 1980s and 1990s we are to proceed in line with the new principles of the housing policy, maintain the housing stock in as good repair as possible and provide the projected increases in quality new apartments we must see to it that the modernization of RD apartments continues. There is still considerable opportunity for such measures. If we exclude apartments, for instance, that are not appropriate for modernization (such as apartments in houses with unfired bricks and apartments in the oldest houses), the short list for modernization is estimated at 700,000 apartments in the RD sector of the CSSR (449,000 in the CSR and 251,000 in the SSR).

RD apartment modernization may no longer be considered only a personal matter for the individual home owner. In the aggregate it will also assist the public interest by reducing losses and increasing the quality of available housing. This is in part reflected by sections 24 and 26 of Decree No. 1/1982, Sbornik, according to which production organizations can under certain conditions provide their employees with financial assistance to modernize RD structures that they own, or for modernization that they do themselves to rent to them machinery, production equipment or transportation.

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GERMAN DEMOCRATIC REPUBLIC

ECONOMIC GOALS, PROCEDURES OUTLINED

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[Article by Dr Guenter Mittag, member of the Politburo and secretary of the SED Central Committee: "Preparing for the Eleventh Party Congress With Supreme Achievements"]

[Text] At the Ninth Plenum, Comrade Erich Honecker, general secretary of the SED Central Committee, stressed that it remains our supreme guiding principle to do everything possible for the welfare of the people and the happiness of individuals by resolutely continuing to pursue our policy to strengthen socialism and secure peace. The main task in its unity of economic and social policy will dominate the period of the next five-year plan also.

Our performance today already decides the success of this new stage in our development, because it is imperative now to lay the groundwork for future successful achievements.

What are the most important concerns?

It is crucial for each combine determinedly to take the approach of comprehensive intensification. That is the meaning and substance of the new stage in the realization of our economic policy.

We must therefore insist that, first of all, every combine should make science and technology the decisive factor for the greatest possible growth of net production and, consequently, the national income. The vital criterion here is a rising proportion of new products with outstanding use value and lower manufacturing costs. Production must be so organized that new products are immediately turned out in quantities conforming to demand.

That is what we mean by the greatest possible process improvement. It is imperative to take this approach without exception and at every stage of production, including component supplies, and at all times to measure our own projects and results by top international standards.

Secondly we must everywhere conduct the struggle for the greatest possible labor productivity, and we cannot tolerate any islands of low productivity

within the structure of an enterprise or the framework of a combine. This requires total concentration on the use of modern equipment. Each combine and each enterprise must quantitatively and (even more) qualitatively strengthen its own construction of rationalization aids. We need greater speed in this field, specially with regard to the introduction of automated production sections including automated design and production preparation.

Thirdly we need to continue pursuing the struggle for lowering energy and materials consumption. Much has already been done. Nevertheless we must all appreciate that in this field, too, we are merely at the beginning of the development of major reserves. Many collectives still use far too much material and energy. Further advances must be organized by the complete utilization of all opportunities offered by science and technology, by thorough and persistent effort. It is 10 times cheaper for the national economy to adopt effective measures for lowering energy consumption than to produce additional energy.

We are therefore holding tight to one of the basic doctrines of our economic policy: The reduction of production consumption is and remains the main source for lowering national expenditure. The development of costs demonstrates the contribution made by each combine to the growth of the national income. The time is past when some people were apt to consider prime costs the "fifth wheel of the economy." Actually costs now more than ever provide a clear reflection of the economy of each enterprise and combine. The steady reduction in prime costs--that simply is the economy.

Fourthly, the new stage of the realization of our economic policy requires the further improvement of management in each combine. Let us remember that we began the struggle for the implementation of the Tenth SED Congress resolutions when the establishment of the combines had just been completed. At that point, in the early 1980's, we succeeded in initiating that fundamental turn toward intensification, which alone made it possible to achieve our current standard of performance and the rate of growth of the national economy. How much more will we be able to accomplish if we manage to quickly utilize the wealth of experiences collected and ensure a new and advanced quality of combine management. Here also we note a key issue which is altogether crucial: It will be necessary for each combine to do everything at all to most efficiently organize the circulation of intensively expanded reproduction in all its phases. This assumes the general director to provide standardized management in conformity with the most modern perceptions. Obviously it will include the daily struggle for the fulfillment of the main plan indices--net production, profit, products and services for the general public and exports--in every single sector.

If we thus approach our work, organize and manage it in this manner, we will succeed in accomplishing the tasks of the 1985 plan without compromise and resolutely exceed it in the socialist competition in preparation of the Eleventh SED Congress. As we all know, the results of this year are particularly important: The better they are, the more evidently they show up in the successful balance sheet of the fulfillment of the Tenth SED Congress resolutions. At the same time they furnish a firm foundation for those basic

resolutions to be enacted by the Eleventh SED Congress for the next phase in the organization of the developed socialist society in the GDR.

That is why each collective is confronted with the task in 1985 to achieve supreme work results. The excellent and exemplary results of 1984 showed the inherent strength of the socialist competition, the potential apt to be freed by the creative initiative of millions of working people. We may, therefore, confidently tackle new and greater objectives.

Economic Demands on Research, Engineering and Technology

As Comrade Erich Honecker said at the Ninth Central Committee Plenum, we want to continue with comprehensive intensification and do so for a long time to come. We are thereby creating the decisive prerequisites to keep on the course of the main task in its unity of economic and social policy. "This calls for and, at the same time, encourages the dynamic and effective development of the productive forces. On the international level, this happens at a fast clip. It is necessary for us to keep up with it and, in the interest of the strengthening of socialism, to provide our own forward pointing contribution." To do this, all combines must produce far more highly yielding scientific-technical performances.

We are all aware that the development of the productive forces has far reaching significance for the future social prospects of socialism. Our party calls for the rapid and priority development of productive forces, because the status of socialism in the international class dispute largely depends on the accomplishment of that task.

Our economic policy provides us with a clear concept for this development of the productive forces--namely: Comprehensive intensification by advanced scientific-technical performances in the combines! At the present time, the combines have available all prerequisites for speeding up scientific-technical advances, quickly and efficiently applying the latest knowledge in production and thereby laying long-term foundations for satisfactory economic results. To act thus and thus to organize work--that responds to the national responsibility of each combine. Only by this means will it be possible to realize the future oriented tasks described by Comrade Erich Honecker through 1990 and beyond, indeed through the year 2000.

The main directions and key points for the development of the productive forces in the GDR have been decided on the basis of a high standard of natural science and engineering. The basic topics of scientific-technical cooperation with the USSR are obviously included. It is imperative now by means of the state assignments for science and technology and the state plan topics for science and technology to precisely define the tasks to be accomplished by the combines. Uncompromisingly ambitious and challenging objectives should be adopted everywhere, preceded by exact international comparisons. That is our definition of responsible and, at the same time, creative management of the tasks of science and technology.

An efficient general director will not only orient his staff to the achievement of the goals set out in the documents enacted but to do so as quickly as possible and at a higher standard. Such an approach must create the climate needed for the preparation of the Eleventh SED Congress. Three key points are discernible, and our efforts must concentrate on them:

- A high economic standard of tasks to be accomplished by science and technology,
- The resolute modernization of capital equipment,
- The resolute organization of a comprehensive process of production improvement at all stages.

We set up the combines precisely to make it possible for the circulation of intensively expanded reproduction and its speed-up to be managed uniformly. Now and in future, the alpha and omega of managerial work consists in so organizing scientific-technological work as to bring the best possible economic results in all fields.

The general director must direct all resources, forces and capacities of his enterprises--from research and development through marketing--to the increase in the output of new and market attractive products and, at the same time, decisively lower production consumption. It is his task to provide all the prerequisites necessary for enabling the new products to be manufactured without any loss of time and in a volume sufficient to meet the demand, while new equipment should make for outstanding productivity and efficiency. This must always be the crucial yardstick for the appraisal of managerial work in the combine and not least for the assessment of the general director's own performance.

In some combines, intensification in relation to the cost of research and development are well above the national average. By comparison with the national average, the Ruhla Vehicle Electric Combine VEB achieves almost triple the profit per Mark research and development spending. Similarly satisfactory performances are recorded by the Rostock Ship Construction Combine VEB, the Berlin "Rosa Luxemburg" NARVA Combine VEB and several other combines. Otherwise it would never have been possible to achieve the well known and publicized improvements of labor productivity, the lowering of production consumption and the development of exports, which currently underpin the stability and dynamism of national economic growth by way of intensification.

Many years of experiences allow us to claim that the combination of science and technology with all factors of intensively expanded reproduction in the circulation of the combine has proven to be decisive for supreme economic results. Another experience is just as definite: It depends primarily on the general director whether science and technology actually turn into this crucial and accelerating factor for supreme economic results by means of intensification in the combine. It is up to him so to organize work in the combine that circulation is managed and mastered as an entity, that the stages mesh smoothly, that the sometimes persisting parallelism is replaced by cooperation.

It is imperative so to organize scientific-technological work and the application of its results in the combine as to reproduce all factors of labor input with the greatest efficiency, not merely the costs of research and development. That concerns most of all the guarantee of the greatest possible productivity of live labor, the best possible utilization of the energy, raw materials and other materials available and the most efficient use of fixed assets. General efficiency ultimately depends on the success of science and technology in making these forces and funds more effective. What are the conclusions arising therefrom?

1. Economic assignments consonant with the national requirements of comprehensive intensification are and must continue to be the starting point for an advanced contribution by science and technology. It is important in this connection for science and technology as well as the economy generally to be mindful of world standards. Some tend to orient themselves exclusively to scientific-technical parameters, forgetting costs and prices. We are concerned, though, to achieve top world standards in labor productivity, costs and prices on the basis of a high scientific-technological standard. That is the nub of the matter and also the difficulty of this task. We cannot afford to evade it.

2. One of the most important tasks in preparation of the Eleventh SED Congress is the achievement of an advanced extent of renewal in industrial production. We will have to annually renew an average of 30 percent industrial production, 40 percent consumer goods manufacture. We consider this task to comprehensively reflect the need by concrete changes in the product assortment to make the results of science and technology effective in the economy. At the same time we take into account the fact that, at international level, the renewal of production objectively proceeds at an advanced rate. This also reflects the speed in the development of productive forces, which we will have to match.

Moreover, it is crystal clear that this struggle for the greatest possible renewal of production is not to be conducted for statistical purposes but so as to turn out products with greater use value, in demand appropriate quantities and salable at satisfactory profits. Precisely the speed of renewal shows whether the respective combines and enterprises let themselves be guided by challenging economic criteria in science and technology and are able to effectively apply them in their production. The circulation to intensification of the contribution by science and technology is closed only when new products are manufactured and sold.

It is no longer enough to, so to speak, "shine" by one or the other new product. Instead it is necessary to view and organize the entire production process from the standpoint of renewal. That is the only means of achieving permanent and stable bases for exports and better supplies for the general public. Of course this includes first of all the need for the new products to provide for larger profits, specially in exports. It is imperative now to combine the renewal of production with the earning of larger profits. Major efforts in this field are still outstanding.

3. The growth of profits, specially on export markets, must correspond to the advanced rates of renewal. The party calls for the annual renewal of average 30 percent production, primarily to ensure that profits may grow. Consequently we are mainly interested in the manufacture of such new products as are distinguished by top quality, are manufactured in large volume, appropriate to the demand and at low cost as well as being popular on world markets and with our general public.

Some of our factories are still headed by managers who believe to be able from their subjective standpoint alone to decide on the use value of a product. Often this turns out to be a very costly mistake. It is far sounder to exactly ascertain the kind of output which will meet a genuine social need and earn large profits in the marketplace.

4. Each combine is confronted with the task as well as possible to organize the total process of the most rapid economic utilization of new scientific-technological findings. The prudent handling of this matter is the general director's specific responsibility. It was possible in quite a few combines to on the one hand decisively cut research and development times, sometimes up to a year. On the other hand, many enterprises still take far too long to process scientific-technical tasks including their transfer to production is still far too long. Each month less represents an additional contribution to efficiency and quality.

We thus note once more the necessity for the combines to plan and manage the development, manufacture and sale of our products as a uniform process. From the very beginning we need to emphasize product group or product group relevant work. The general director should appoint special persons to look after this aspect, provide clear conceptions and fix responsibilities.

5. We need a higher scientific standard of technological work in all combines. The situation calls on all combines to review the objectives of technological research, particularly the growth of efficiency envisioned, and to orient to far better performances. The capacities of technological research must be strengthened wherever necessary. The capacities available need to be everywhere concentrated on the necessary speedier renewal of production and the growth of efficiency and quality, in short on comprehensive intensification.

To reiterate the above clearly and unequivocally: Each combine must ensure that its own scientific-technical work is of a high creative standard so as to create the prerequisites for continuing to fully contribute to the growth of the national economy's performance.

6. Some combines still fail to understand what it really means for scientific-technical results to have to bear fruit in economic terms. We are not interested in "decorating" scientific-technical goals by economic data. We are concerned for scientific-technical results to be demonstrably reflected in cost reductions and increasing net output. That is the way to close the circle and the meaning of the resolutions enacted for deepening economic accounting in the field of science and technology.

A highly important link in the chain is the annual balance sheet of the results of science and technology, accompanied by the appropriate conclusions. Next to the accounting of plan fulfillment, specially with respect to the four main indices of performance appraisal, this analysis of the economic efficiency of science and technology is probably the most important management tool to be wielded by a combine general director. It provides him with an answer to the question how well he has succeeded in making effective science and technology, the main factor of intensification, for the growth of output in the combine now and for the future.

The Struggle for a Higher Standard of Labor Production Is Entering a New Phase

The introduction of the latest equipment for the manufacture of new products with highly productive technologies usually proceeds by way of the combine's own construction of rationalization aids. All experiences confirm that this allows us to as quickly as possible using the latest scientific-technical knowledge and obtaining thereby the greatest possible profit.

How do we manage to achieve a new and higher stage of development in the internal construction of rationalization aids?

-- We need a continuing advanced rate of development in the construction of rationalization aids in all combines. This rate must definitely exceed that of production. That alone will guarantee future intensively expanded reproduction on the basis of supreme labor productivity.

-- The construction of rationalization aids in the combines may be effectively expanded in all combines by the various factories setting up the appropriate groups or sections.

-- We must obtain a qualitatively higher standard of internal rationalization aid construction. Of particular importance in this connection are the groups for the application of microelectronics.

-- The software for automation processes must be provided in the course of the construction of rationalization aids. The production of appropriate software is the most efficient approach to automation on the basis of microelectronics.

At the conference of the first secretaries of kreis leadership organizations, Comrade Erich Honecker stated that our entire economic strategy is permeated by the need to raise labor productivity, the fundamental importance of which for socialism Lenin stressed with particular emphasis. The struggle for a higher standard of labor productivity is now entering a new phase. Consequently not a day may be allowed to pass without making a resolute effort to raise the speed and standard of labor productivity.

The competition must everywhere be directed to the plan targets for raising labor productivity are met and better results achieved than in the previous year. Everyone must realize that this struggle for the greatest possible labor productivity is of the utmost economic and political importance. The findings of modern science and technology must therefore be applied far more

comprehensively and efficiently to the effective organization of the technological and total operational processes in combines and enterprises.

The struggle for greater labor productivity is a complex task. It concerns the entire combine and every single factory. Technology, the organization of production and management relations represent a unit. To cite Marx, it is imperative to close "the pores of working hours." That also includes the comprehensive realization of the principle that "working hours are performance hours."

The Ninth Central Committee Plenum oriented to the creation of automated manufacturing segments. This determines the basic direction of the future automation of production. Qualitative changes in technology and the entire manufacturing organization are produced. The main objective is that of accompanying the greatest possible rise in labor production (in conjunction with the freeing of manpower) by such automation processes as will permit us to flexibly respond to changed needs and turn out a wide range of spare parts. This will also strengthen the material-technical base of the component industry.

Taking a Qualitatively New Step Toward More Product Improvement

At the Ninth Central Committee Plenum, Comrade Erich Honecker stressed the necessity in the coming years "to take a qualitatively new step toward more product improvement. At the same time our own raw materials reserves must be emphasized as the starting point of this process, the latest technologies and most modern processes used in order to arrive at high quality products. The further growth of the national income is crucially dependent on all this." (2)

Summarized in a common denominator, it will be necessary to improve the use value and quality of products while lowering the labor input required for their manufacture. This method will provide the maximum contribution to the national income. We are talking about new products which incorporate a genuine increase in use value and, coupled with declining production costs, enable us to realize a supreme newly created value.

Each combine is confronted with the challenge of developing such products, rationally manufacture them with new equipment and market them. All these products must be able to stand up to the most severe competition on international markets.

What does that imply?

1. It is right and necessary to keep the GDR's traditional export commodities at a high standard and expand--not merely maintain--our current market shares. The working people in our country boast many traditional crafts and manufacturing skills. We must preserve these and make them an asset for the rise in economic capacity, an asset on international markets--regardless whether we contemplate the export of machines or consumer goods.

Let us stick to facts: The variety of products is bound to rise further. New products call for new equipment. We are therefore confronted with the need to ourselves make sure of components of appropriate quality. The construction of rationalization aids is turning into an integrating factor of the reproduction process. We will have to respond to customer wishes faster than ever. All this clearly shows that the process of the socialization of production does not one-sidedly proceed in direction of specialization; indeed it calls for the combination of production. After all, that was one of the main reasons for the establishment of the combines as efficient economic units.

2. In addition to the cultivation of traditional products of the "standard assortments," we must offer such products and processes as represent genuinely novel realms. Products obtainable mainly in the GDR at the particular standard of quality and on the particular terms. Products which allow us to achieve more advances on the world markets. The manufacture of such high-quality and new merchandise is necessary in the first place for our exports to the USSR and, not least, for more satisfactory supplies for our people. In the interest of the strengthening of the entire socialist community and the assurance of supplies of vital raw materials, equipment and consumer goods for our national economy, we want to be able to offer the USSR products of the utmost benefit for both parties.

In preparation of the Eleventh SED Congress, it is a particular necessity to everywhere fix on new performance targets of intensification with its concomitant key objective--greater improvements. What does that involve?

-- Future efforts must result in a higher stage of improvements. It is imperative to completely utilize domestic raw materials and all their components for the manufacture of quality products. At the same time we are carrying out the transition to the extensive recycling of all waste products incident upon the factory and national circulation.

-- The new and higher stage of improvement must feature the better handling of the dialectic of use value and value, in other words the economic utilization of the improvement effect. That is the reason why it is so important to measure our own production by outstanding international criteria and to organize faultless work in all sections.

-- Proceeding alongside improvement in all sections is the transition to the much faster renewal of production and a wider range of assortments consonant with the needs of customers. More varied assortments require greater inventiveness in product development as well as marketing. Our industry must respond far more flexibly to customer wishes. That affects the organization of production, the management of technological process, the training of skilled workers and the marketing organization.

-- The entire reproduction process must be decidedly speeded up--from research and development and the introduction of its results to production through the sale of the products. Here we need qualitative as well as gradual change. The processing of orders and bids must be geared to the development,

production and offer of new products within the shortest delay and in conformity with the respective client's requirements.

-- It is evident that the quality of components more than ever determines the quality of the finished product. Often new final products are possible only when qualitatively new component materials or products are available. The renewal of production thus depends largely on the range of component products. That is why it is so important and useful to exploit every internal possibility for obtaining the primary materials required for the end product.

Use Value and Value Represent a Dialectic Unit

The manufacture of products with high use values for the better satisfaction of social and individual needs is not simply one of many issues to be dealt with by the socialist national economy. Indeed, the very core of the socialist economy is touched upon by the response forthcoming. This is due entirely to the objective of socialist production, which consists in the increasingly better satisfaction of the people's vital material and cultural needs, an objective successfully realized since the Eighth SED Congress by the policy of the main task.

In his basic work, "Das Kapital," Marx begins the analysis of goods production by the masterly description of the dialectic of use value and value. I would like to offer below some of his fundamental concepts and the conclusions arising therefrom.

1. Marx said: "Use values represent the material content of wealth, whatever its social form." (3) The obvious conclusion therefore arises that the output of more use values indicates the growth of social wealth. We should always base all our thoughts on the organization of socialist production on the consideration that use value involves the material content of social wealth.

2. Marx stated: "The usefulness of an object makes it a use value." (4) A use value, therefore, must by its "features (satisfy) some kind of human need." (5) This raises the fundamental issue of the relationship between socialist production and society generally. Use value and need satisfaction cannot be separated, and only such products have a use value, which satisfy social as well as individual needs.

It must therefore be our goal by the improvement of the use value to achieve the better satisfaction of social and individual needs. That is the meaning of our struggle for better product quality, reliability and durability.

3. Inseparably linked with the production of use values is the issue of the socially required work time for their manufacture. "Socially necessary working time is the working time required to represent any use value in the available social-normal production conditions and at the average social standard of skill and intensity of labor." (6)

Marx described as a historical deed the discovery of "social criteria for the quantity of useful things." (7) Accordingly, we cannot separate the production

of use values from the need to find a common denominator for the various actual products, so that the result and input of social labor are always visible with respect to the production of use values. That is the altogether vital issue for socialism, because in the conditions of social production, the law of the economy of time is a much more binding law.

In the conditions of goods production in socialism, we require the criterion of value for the exact measurement of produced use values. "In the capacity of use values, commodities are mainly of differing quality, as exchange values they can merely represent different quantities, and therefore do not have even an iota of use value...These things," Marx continues, "merely tell us that human labor capacity is spent on their manufacture, human work heaped up. As crystals of this their common social substance they represent values--commodity values." (8)

According to the perceptions of political economy, goods production and, therefore, value does remain, although at a different social quality. Consequently, the orientation to the production of more use values at a higher quality also means that we must raise the question of the precise measurement of the result achieved. Our republic answered this question by the resolutions on performance appraisal for combines and enterprises.

As Marx noted, capitalist production is "per se indifferent to the specific use value...In every single sphere of production, the concern is only to produce added value..." (9)

By contrast, we and our socialist production are concerned precisely with the specific use value, with quality and the range of production--not as a means of producing profits but as a means of satisfying social needs. At the same time, socialist production is not indifferent to value. On the contrary. In the interest of the better satisfaction of social needs it is imperative for us to steadily lower costs. It is an essential feature of socialist planning and the socialist goods production realized in it, that use value and value represent a single unit.

4. Marx indicates to us an essential element in the production of use values in the social meaning. It is evident that the use value of individual commodities depends on "their satisfying a need." (10) At the same time he pointed out that "quantity...(becomes) an essential feature as soon as the output of an entire industry is on one side and social needs on the other. It is then necessary to consider the extent, that is the quantity of this social need." (11) This social need consequently decides the respective proportion of total social working time allocated to the various sectors of production. "Only when production is genuinely subject to the planning control of society, will society create the connection between the extent of social working time related to the production of specific items and the extent of the social need to be satisfied by these items." (12)

This shows and underlines the responsibility which, related to the socialist national economy, exists with regard to ensuring the proportions between the

the production of concrete use values and the social need present.

The preparations for the Eleventh SED Congress have initiated a new stage in the work of our party. It is a time of new and significant initiatives for the further strengthening of our socialist GDR and, consequently, the security of peace.

Incumbent on the general directors of the combines and the party organizers of the Central Committee is an even greater political responsibility. Its observance must be expressed in particular by their doing everything possible to accomplish and resolutely exceed the plan targets for 1985. All this is vital for the balance sheet to be drawn up by our party on the successful realization of the Tenth SED Congress resolutions, and that in turn is vital for preparing us for the new and challenging tasks in the period 1986-1990 and, additionally through the year 2000, to be enacted by the Eleventh SED Congress.

It is imperative even now in an exemplary manner to create the prerequisites for new initiatives designed to raise productivity, lower energy and materials consumption, bring about modernization and the better utilization of fixed assets. Most of all it is urgently necessary to resolutely introduce new high quality products, especially to develop new consumer goods and manufacture them in demand appropriate volume while, at the same time, and in the meaning of the further strengthening of the GDR national economy's power of accumulation, energetically carrying out the investment projects fixed in the plan and making them operational with the greatest possible efficiency.

Each combine must have a clear and unequivocal combat program representing the sum total of all those measures designed to raise all our work to a higher level consonant with new criteria, so that we will continue to honorably meet all challenges offered us by the need to further strengthen socialism and secure peace.

FOOTNOTES

1. "Aus dem Bericht des Politburos an die 9. Tagung des ZK der SED. Bericht-erstatte: Genosse Erich Honecker" [From the Politburo Report to the Ninth SED Plenum. Reporter: Comrade Erich Honecker], Dietz Verlag, Berlin 1984, p 35.
2. Ibid, pp 36/37.
3. Karl Marx, "Das Kapital, " Vol 1, Collected Works, Vol 23, Dietz Verlag, Berlin 1962, p 50.
4. Ibid.
5. Ibid, p 49.
6. Ibid, p 53.

7. Ibid, p 50.
8. Ibid, p 52.
9. Karl Marx, "Das Kapital," Vol III, Collected Works, Vol 25, Dietz Verlag, Berlin 1964, p 205.
10. Ibid, p 648.
11. Ibid, p 194.
12. Ibid, p 197.

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CSO: 2300/450

GERMAN DEMOCRATIC REPUBLIC

REVISED AGRICULTURAL POLICY COMBINES CROP, LIVESTOCK PRODUCTION

Cooperative Councils Established

Frankfurt FRANKFURTER RUNDSCHAU in German 5 Jun 85 p 9

[Text] GDR agricultural policymakers are correcting a wrong decision made 7 years ago. Specialization of the agricultural producer cooperatives (LPG) into livestock production and crop cultivation turned out to be a dead end. It was a futile hope that the crop and livestock cooperatives could themselves effectively coordinate the cooperation required in the interest of their concerns. According to the decree of the SED politburo, as of 1985 and 1986 the 1,170 cooperation councils, whose authority apparently was inadequate for operations on a daily basis, will be given "economic managerial functions."

The new changes are occurring during the 40th year of "democratic land reform." In September 1945, expropriation without compensation of large landowners had then been ordered. In the eyes of the KPD and the Soviet staff officers, the "Junkers" were a "bulwark of reactionary forces and militarism;" the owners of large areas of land and agricultural estates were considered among the principal offenders of the war.

In a distribution campaign, their land was given to agricultural workers, small farmers and resettled persons. Later, compulsory collectivization was carried out. Much has changed since then, but the central demand of agrarian policy in the GDR, increased production, is still the same. There is no need to fear overproduction as in the FRG.

It remains to be seen whether the new directives, experimentally tested in 88 "cooperations," will clearly stimulate the supply of domestic requirements. But it is certain that the GDR leadership cannot abandon the policy of national self-sufficiency, since its Eastern partners possess only very limited export quantities and one does not want to become dependent on the West, nor is there enough foreign currency for purchases on the world market.

The legal autonomy of the LPGs and their economic self-responsibility are to be maintained under the reform model, but in effect they are being limited. The structures resemble the cooperation communities which, at the end of the 60's, were considered the wrong road to industrialization of agricultural

production. Perhaps the new model of cooperation councils represent a transitional solution until, in the end, every livestock cooperative again has its own meadows and fields as is traditional on farms.

The changes aim primarily at an increase in crop yields in order to cut back imports of fodder and to intensify livestock production. Joint funds are desired for investments, for the formation of reserves and for "stimulating high output." In general, the SED places much emphasis on a greater "show of economic interest on the part of cooperative farmers."

Agricultural-industrial associations are also developed further. Within their framework, livestock and crop producers cooperate with agrochemical centers. They form amelioration (improvement) cooperatives and construct installations for processing and storing agricultural products.

The concepts of highest yields and highest performance in the GDR are directed at "producing more, better, and more cheaply." The "highest results so far" attained last year are to be repeated. The operations plans aim at this, although the national economic plan is more reserved. The wet spring weather calls for cautious predictions, anyway.

An agricultural price reform has been in force since the beginning of 1984. It brought an average increase of 60 percent in producer prices and a reduction of subsidies for machinery, mineral fertilizer, fuel, energy and construction materials. The high producer prices, which are far above those in the FRG, are not passed on to the consumer, however. In 1984 they were lowered to a tolerable level through price support out of the national budget in the amount of M 23 billion (only 11.7 billion in 1982).

Both LPGs and industrial enterprises are required to reduce energy consumption and to optimize transportation processes. This latter creates difficulties particularly for crop producers with scattered fields. They must bring road and field maps up to date and then work out a transport balance sheet.

After last year's outstanding grain harvest, increased yields of sugar beets, potatoes, oleaginous fruit and grassland is now emphasized. Livestock and wool production must also be raised. Every cooperation community is to raise sheep, since this is the only way to open up all fodder reserves. Drainage installations that can be operated easily are also required. The soil fertility of the fields, heavily laden with chemicals, is considered inadequately utilized.

Science also contributes its share to increasing yields, although some of it seems curious. For example, the research center of the Academy of Sciences in Dummerstorf, in a test series on domestic fodder reserves, came to the conclusion that raw potatoes do not agree with pigs. So now the potatoes are again served boiled--such to the chagrin of those theoreticians who thought they had found an opening to energy savings. Preparation of raw turnips for pigs' fodder, generally a delicacy for cattle, is expected to be accomplished by the fall harvest.

22 August 1985

The lack of composted manure has also led to experiments. One LPG had the idea of mixing in a large concrete silo straw and liquid manure from large stables, which cannot be used in that state. With the help of a crawler or tractor, it was damped down and then stored for 3 months. The end result was a new product, "rotted manure for humus fertilizing."

Rights, Obligations Outlined

Frankfort FRANKFURTER ALLGEMEINE in German 25 Jun 85 p 14

[Text] The GDR Council of Ministers put an end to a controversial discussion of agricultural policy. It passed an "agreement on model cooperations," published by the NEUE DEUTSCHE BAUERNZEITUNG, almost as a state recommendation. By transferring all managerial functions of agricultural cooperatives and state-owned farms to a "cooperation council" the SED is correcting a development of its agricultural policy which had enforced specialization of plant and livestock production and had caused serious reduction in output. The introduction to the new text states that a further deepening of cooperation relations is an "essentially ideological task."

Evidently, there had been controversies concerning the rights and obligations of the "cooperations," which are mergers of several production cooperatives and state farms; that is the only explanation of the fact that the final draft of the cooperation agreement--which is to be adapted to the respective regional requirements--adopted a rule not originally contained therein (FAZ, 21 Feb 85). According to it, "the agricultural production cooperatives and state farms are, and remain, the basic units of agricultural production and organize their relations according to the principles of equal rights and of mutual advantage while preserving their legal independence and economic self-responsibility."

This formulation cannot conceal, however, that in future, economic managerial power is concentrated in the cooperation council, notwithstanding the fact that its decisions must be unanimous. The list of "rights and obligations" of the cooperation partners makes it clear that all major decisions are incumbent upon the cooperation council. The chairman of an agricultural production cooperative or of a state farm, with the greatest political and technical experience, is to be elected chairman of the cooperation council for a term of 3 years.

At last week's meeting of the SED Central Committee, the manager of the agricultural-industrial association "Oberlausitz," Dieter Schulze, made it clear that these supermergers of cooperatives and processing plants with areas up to 12,000 hectares are a form of cooperation never to be lost sight of by the SED.

9917

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22 August 1985

GERMAN DEMOCRATIC REPUBLIC

CONSERVATION MEASURES APPLIED TO COMBAT SEACOAST EROSION

East Berlin NEUES DEUTSCHLAND in German 6/7 Jul 85 p 9

[Article by Holger Becker (text) and Joachim Fieguth (photos): "Breakwater and Rrapid Rinsers'." Observations and Conversations at the Beaches of Wustrow and Koserow]

[Text] "And now look at the sea, please. You will see a novelty, a kind of structure in the Baltic Sea" Those could be the words of a tourist guide, leading vacationers these days through Wustrow and also to the beach of Fischerland. The structure, a dam of rough rocks, lifts its crown out of the water, at least 100 m from the coast. Its name: breakwater.

Mi-8 helicopters of Interflug had piled it up. They made about 4,000 flights from beach to sea, each time with a granite block on a long rope, in order to drop their load in precision work. The rocks weigh from 1.8 to 2.5 tons, forming the breakwater, 150 meters long. However, only the tip of the proverbial iceberg can be seen. And whoever does not immediately grasp the meaning and purpose of the dam, can at least figure out that it must have something to do with the signs posted everywhere--"protected coastal area."

Protected area--the word announces efforts against some danger. I ask Bernd Rosenloeher, deputy director of coastal water management and chief of the Rostock river authority, what is threatening the coastline of Wustrow. Why such an expensive construction?

"The coastline of Wustrow" --that is too generalized in connection with the breakwater, says Bernd Rosenloeher. It concerns the high bank at this, the narrowest point of the fishing land. From time immemorial, it has been a problem.

Bernd Rosenloeher cites the event of the spring of 1983. Two years ago, storm tides whipped the Baltic Sea coast. Once again, floods battered the steep Wustrow coast with elemental force, tearing out large chunks. Yet this sector was by no means unprotected. There were jetties, stone packings, and dunes. They had served their purpose faithfully during less turbulent water conditions. But they were powerless against the rigors of that spring.

Now, however, a breakwater stretches parallel to the beach, across from the Wustrow Fischlandcafe. Bernd Rosenloeher states that "it creates the preconditions for protecting, to a large extent, the high bank from the sea."

I point out that the embankment does not stand directly in front of the high bank, but rather at its edge toward the flat beach, and I get this answer: it has to be that way because this protects first of all the flank of the high bank, which from experience is the most threatened point of flood attacks. That is followed by technical details.

Eight Thousand Tons to Smooth Out the Waves

The granite blocks for the bottom layer of the embankment dropped from the helicopter's rope to a depth of 1.80 m to 2.50 m. The rocks for the dam's crown were placed 80 centimeters above the water level by the Mi-8 pilots. More than 8,000 tons of granite are now braced against the sea, a mass that promises stability even if the energy of the waves is 15 to 25 times higher than during calm winds.

Our coastline to the open sea is 340 km long. Only in a few sectors, such as at the Baaber Heide [Heath] or west of the Warnemuende Mole, does the water give us land. Most of the 340 km coast, namely 70 percent, shows losses, and in 23 percent of the coast one speaks of long-term stability of the bank line. If we did not fight back, the water would erode a strip of land 32 km wide every year. That, mind you, is an average figure; in particularly endangered places, several meters can be washed away. Such land erosion not only endangers the property of society and individuals, it literally takes the ground from under industry, agriculture, forestry and home construction, not to mention the almost 3.4 million sunworshippers who every year, as today, are looking for relaxation at the Baltic Sea.

First attempts to overcome man's impotence vis-a-vis the waves and floods of the Baltic Sea go far back in time. Old chronicles report that as early as the 15th and 16th centuries, sand-trapping fences were constructed in the region of Rostock in order to rebuild dunes that had been washed away by the sea. Among other reasons, money for the project was given by Rostock patricians to preserve the mouth of the Warnow river as a harbor entry.

During the 19th century many sea dikes were built, especially after the storm flood of 1872, the worst since records of such events have been kept. But, in general, such efforts remained regional. Jetties and dikes often stopped wherever the grounds of rich landowners ended.

This was also confirmed by Guenter Weber. On my visit to Wustrow, locals had sent me to him with the remark: "If you want to know something about dunes, dikes and jetties, you must see the dike governor, right around the corner here." The 76-year-old does not want to be called "dike governor," but he likes to talk about coastal protection. He is a native of the area and comes from a long line of sea captains, as attested by the pictures of windjammers on his parlor walls.

History Report in Plattdeutsch [Low German Dialect]

True, in former times, also, something was done to protect the coast, Guenter Weber recalls in his early Plattdeutsch; he took up this line of work in 1932 and stayed with it until his retirement as dike master. But it can't compare to what is being done today. He talks about the twenties, when there was no money because of the economic crises, and then about the Nazi regime that was more concerned with the arming for war than with protecting the coast. And then, when the fascists struck in 1939, all work along the coast was stopped that was not directly related to war plans. After the liberation from fascism, the coast along the Baltic sea looked accordingly--totally neglected.

Guenter Weber experienced fundamental changes since then between Boltenhagen and Ahlbeck, also in coastal protection.

Yet until 1959, work was essentially limited to reconstructing formerly existing installations. At first, work was concentrated on particularly endangered flat coastal areas such as Graal-Mueritz, Dierhagen, Ahrenshoop, Zingst and Hiddensee. Jetty systems were improved, dunes rebuilt, protective coastal woodlands reforested, and sea dikes repaired. In the sixties, extensive new construction could then be considered.

Today, there exists an unbroken system of coastal protection. In the last 15 years alone, our state budgeted M200 million for it. Much progress was made at that time, and at a speed which permits superintendent of rivers Rosenloecher to say: "Along the 206 km of flat coast, everything is essentially in order."

Fifty kilometers of dunes and 45 km of dikes have been banked up since the beginning of our republic. This means that, for the first time, certain communities or regions received a dike as a barrier against floods--Ahrenshoop, for example, or the Schmollensee lowlands on the isle of Usedom. During the last 3 1/2 decades, more than 850 jetties were built on our coast, each one consisting of about 100 fir trunks, stripped of bark and sharpened at one end, lodged at least 2 meters deep in the seabed.

There is one thing that coast protectors, and also superintendent of rivers Rosenloecher, like to talk about especially: that is, "artificial beach cultivation." When the process was used for the first time in 1968, a new road was opened in their trade, that of "active coast protection." Since then, special dredges of the shipping company for dredging, towing and salvaging have dumped more than 4 million cubic meters of sand on over 20 km of beach.

"Fodder" for Beaches and Dunes

At this time, vacationers and local inhabitants can observe at Koserow, on the isle of Usedom, how it is done. Mathias Zelk of the aforementioned shipping company, who--as he jokingly puts it--"construction-manages" the Koserow hydraulic fill, explains the technology to me at our meeting at the edge of the dune:

Far out at sea, a floating chain-and-bucket dredger dredges sand from a depth of about 10 meters and loads it onto barges of low draught. Each barge--two or three are being used--with about 500 cubic meters of "fodder" for the beach in its belly, rides to the rinsing dredger floating near the beach. The rinsing dredger sucks the sand from the Baltic Sea out of the barge's belly, mixes it with water and pumps all of it through a pipeline to the beach which thus obtains the material for high and wide dunes.

While the project construction manager--that is his correct title, about 30 years of age, tells me this, the beach broadens visibly. And while the mixture of sea sand and salt water is still shooting out of the pipe in a gray stream, Guenther Rueger and Hans-Juergen Lamprecht, the land rats of the rinsing crew in radio contact with the dredgers, are already busy at its end. They are preparing things so that the pipeline can be lengthened by another 5 meters.

On good days, the "rinsers," working rapidly around the clock, manage to wrest from the sea in front of Koserow an area of about 20 meters in width and 100 meters in length--a land gain even for those who do not understand right away why beach sections must be closed for the dirt-throwing pipeline.

Bernd Rosenloeher describes the value of the process as follows: "If we have succeeded in preventing the encroachment of the waterline along a total of 42 km of the GDR coast, or to substantially reduce it, respectively, then artificial beach cultivation has a large share in it."

The condition of our flat coastline, particularly its being secured against storm floods, allows us to pay greater attention to steep banks, as was done in Wustrow. I learned that this work has become especially urgent in view of the fact that some sectors of steep banks, calm until now, had begun to retreat. Due to processes in the interior of the steep banks, particularly through wetness penetrating from inland, the break-off of clumps of earth was on the increase.

What can be done about it?

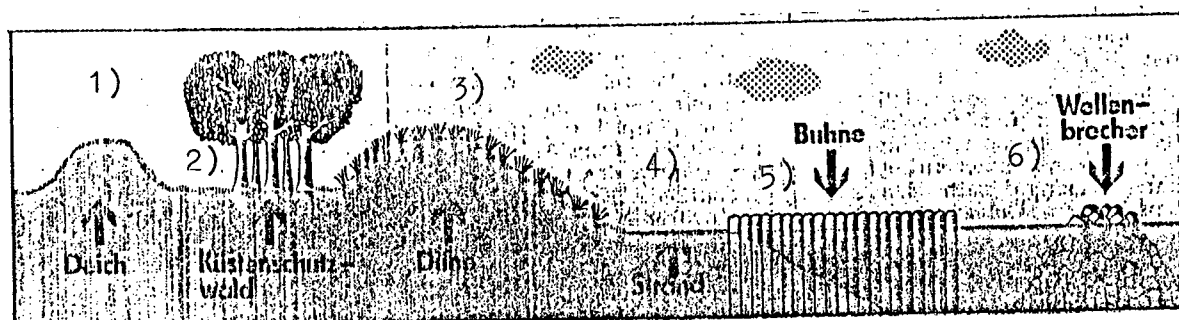
One remedy is protective forests on the steep banks which counteract soil erosion. So far, more than 4 million trees and bushes were planted which today form a forest strip 30 km long and 50 to 100 meters deep. But biological measures alone, no matter how important they are, cannot stop the retreat of steep banks. Even traditional jetty systems are often inadequate.

For this reason, scientists of water management as early as the mid-seventies started an experiment at Dranske to protect steep banks, by which Wustrow also profited. At Dranske, five T-shaped jetties were rammed into the seabed. And above all, a breakwater of granite rocks was put up, the first one of its kind on our coast. It proved to be a success. In the meantime, the coastline pushed the sea back by 10 meters.

"We still have plenty to do in the future," stated Bernd Rosenloecher and mentioned some projects: among other things, in the coming years protection measures along the steep banks before the Rostock Heide, Sassnitz, Sellin and Koserow are to be concluded. The water managers also want to further expand the protection system at the high bank of the Fischland. A second breakwater is already under construction there. Also, the existing installations must be maintained.

The protectors of the coast are not alone in their work. Hundreds of citizens work as volunteers in the dike and coast observation commissions; they check the condition of jetties, beaches, dunes and dikes, repair smaller damage themselves, and help in planting beach grass. Members of the Nature and Environment Society, the Association of Fishermen, helpers of water management--they all join forces.

Protection of our coastline is a permanent task, and what needs doing, is being done between Boltenhagen and Ahlbeck.



- 1) Dike
- 2) Protective Coastal Forest
- 3) Dune
- 4) Beach
- 5) Jetty
- 6) Breakwater

There are many ways to protect the coast. Our drawing shows some of the most common ones. They are used along our Baltic Sea coastline as needed. In addition to breakwaters, jetties, dunes and dikes, wide beaches also serve as bulwarks against the waves. Protective coastal forests not only blend attractively into the landscape, they also slow down wind velocity, prevent the sand from being blown away, and slow down the waves in case of a dune breakthrough.

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HUNGARY

ENTERPRISES, ECONOMISTS DEBATE SOURCES OF GROWTH

Budapest MAGYAR HIRLAP in Hungarian 2 Jul 85 p 7

[Article by Ilona Kocsi: "No Fight Over Macro and Micro Ideas; Expecting Growth - Economic Goals and Regulators - Convention for Economists"]

[Text] How could a balance be achieved between economic goals and economic regulation? -- in short, this is what was discussed in the most popular section of a convention for economists last week. According to experts this was the subject that was to provoke a clash between macro and micro ideas. The fight never broke out, but the presentations and comments clearly indicated that the implementation of a stronger growth rate in the next 5-year plan is not going to be easy. Instead of a comprehensive analysis of the convention we are going to review the main statements of this section.

The extent of income centralization cannot be decreased in the next one or two years -- this statement, made by the under secretary of finance, Attila Madarasi, has a painful impact on the attending experts from enterprises. Not much later the vice president of the Chamber, Jeno Zanyi, gave his presentation, with the following sentence in it: "The present extent of centralization is almost unbearable for enterprises." And if we add here the conclusion made by the vice president of the National Bureau of Materials and Prices, Ferenc Vissi, namely that the root of the inflation of consumer prices can basically be found in company production, one can sense that the central issue debated in this section was enterprises. Even if the discussion was about national economic goals and financial regulators. However, it is also obvious that contradictory opinions were voiced on the same subject. The basic economic goals were not challenged, but opinions were divided on the the possibilities and methods of execution.

In What Structure

One of the basic goals of the Seventh 5-year plan is the acceleration of economic growth. This lays the foundation for raising the living standard, expanding the convertible currency and establishing the balance of payments. The higher rate, however, will not be easy to achieve; by all probability definitely not during the first two years of the new plan. The later higher rate as well has conditions that do not yet exist.

Who will be the engine of the higher growth rate? According to plans it will be the industrial enterprises. Yes, but a great many of them are deeply in debt, have recently paid little attention to development, to laying the foundation for the future. Moreover, the ever-increasing diversion of income takes investment sources away from the best of them. The weak ones were not able to provide the money. Frequently the centralized money was used to help them out. Attacks on this method of centralization have been justified.

Another question is, in what kind of production structure can greater growth be realized? Many claimed that the present structure is not suitable to break through, we would only take our current problems with us. Yes, but changing the product structure is not simple, either. While it is an accepted task to keep up and expand the more effective and profitable activities, less effective, unprofitable production has its role in the economy as well. Why? The primary economic goal is to secure solvency, to work towards a balance of payments. What is needed today to achieve this is the highest possible volume of foreign trade in order to pay our debts that will be due. Our economy has produced a necessity to export. Several barely profitable areas are kept alive because of this. It is true that if this practice were stopped and the money channeled into more profitable areas, the country would be better off in the long run. But we have to pay our debts now, and curiously enough, what can be exported is products with small profit. There is a visible contradiction between efforts to create a balance, productivity, and technological development.

The Causes of Inflation

But what will give us more growth?! From barely profitable production?! This is a vicious circle, and we have to step out of it. This is hastened by the realization of another goal. Namely the reduction of the rise in prices - or better said, inflation. Ferenc Vissi spoke of the causes of inflationary pressures in the Hungarian economy. A few general and typical features can be observed in developed capitalist countries where the fight against inflation has been successful. Governments did not make a big deal out of rising unemployment and more and more bankruptcies. Deteriorating solvency did not result in forced measures. But it is also true that these countries had a strong economy. It can be observed that in Western societies inflation is used as a mean to redistribute income. If anybody wanted to translate this experience into our situation, he would get stuck immediately. Total employment is a social goal here, companies cannot go bankrupt in mass numbers - not even individually very frequently - and the deterioration of the payment balance justly creates a scare. Hungary does not have a strong economy. Maintaining our solvency is sometimes possible only through vast efforts and sacrifices. This is why we have to export, selling products that should have long been scrapped.

Inflation, by the way, plays the role of the devil to be feared these days. Negative images are associated with the word, and many think that the main culprit of the social malaise has been the rise in prices. This, however, sounds too simple. Inflation is not a matter of decision, it cannot even be traced back to the price structure - but, as it perhaps became clear

by now - it is a basic problem with the economy, the result of production with low profitability. Therefore it cannot be eliminated from one day to the next. A rise in consumer prices, however, will not create malaise by itself. Other factors contribute to it as well. These are the stagnation of the economy, the differentiation of chances for higher income (therefore income itself); at the same time there is no compensating mechanism to supplement the income of the poorest strata.

Dream and Reality

It is amidst this and similar problems that the economy has to be made to produce more growth. A balance, however, has to be achieved between goals and means - and this is a task of economic management. Action, initiative and demands - first of all relating to one's own work - have to come from above. When this is given, the executors - the enterprises - will enter the picture.

At this time some confusion can be sensed in the articulated tasks. Enterprises are expected to start in-house ventures, while they may not always be capable of this, as their risk capacity is minimal - Jeno Zanyi gave this example. Another point he made was that there is no rationale for demanding measurement of production, while this is not done at the national level. It is futile to demand differentiation from companies if this is not typical of the entire society. The level of freedom of action within companies is always one degree lower than that of the environment's.

And we could go on for a long time citing justified and well-grounded criticism. In his presentation under secretary Attila Madarasi pointed out that disturbances in the economy can frequently be detected. Often precisely because the economic goals themselves are contradictory, or economic management is inconsistent, or perhaps the system of regulators does not work well. But if everything is perfect, then the institutional system lags behind the other elements of economic management. Many claim that it is this latter that is today the main obstacle to development. Elsewhere the economy picked up. Further development of the reform could free up new forces, new sources of rejuvenation. Perhaps the new forms of company management will rejuvenate economic management. Collective management has a more difficult time understanding and accepting why those who work well have to part with money while the future depends precisely on their work, their productivity...

But as almost every speaker said directly or indirectly it is certain that the condition of stepping forward is the changing of the production structure. Without it any kind of idea will stay just a dream - it will not turn into reality.

In our last year's report on the economic convention we mentioned that company experts remained silent, they did not participate in the debates. Fortunately, we cannot say this about this year's convention. Particularly the subject of the connection between economic regulation and economic goals animated the participants. The impressive plans and ideas sometimes turn into a strange reality.

On the subject of the further development of economic management many were of the opinion that the initial great impetus seems to have slowed down, and things have gotten back into the old order. Yet changing the old product structure is an increasingly urgent task. Little has been done in this area. Although even if something starts, spectacular results cannot be produced just from one day to the next. Stimulators and measurements for starting are needed. But at the same time this is a very unpleasant task. Production with low profitability will have to be stopped sooner or later; the strong need to export explains the delay only temporarily. A company expert vividly described the present situation in this way: Certain areas of Hungarian economy at present function like a piggy-bank; money disappears in them, but they do not increase it...

But it is impossible to grow in this way. It is not possible to expand the action sphere of those who work well. It is impossible to moderate the increase in prices or to raise the living standard. The decision will have to be made with this knowledge.

12366

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POLAND

NEW FIVE-YEAR PLAN CRITIQUED BY INTEREST GROUPS

Views of Academic Economists

Warsaw ZYCIE GOSPODARCZE in Polish No 27, 7 Jul 85 p 2

[Article by Marzena Kowalska: "A Few Cardinal Sins"]

[Text] The faculty of the Warsaw Main School of Planning and Statistics [SGPiS] joined the debate over the draft of the plan for the next 5 years. The largest school of economics in the country held a meeting of its scientists with Jozef Zajchowski, deputy chairman of the Planning Commission.

Already the composition of participants promised that a variety of topics would be brought up. And, indeed, this is what took place. Let us begin with methodology. It attracted many criticisms. The most frequently raised objections concerned the number of contingencies. The critics were in agreement that the essence of contingency planning, namely the differentiation of goals was missing. In the opinion of scholars only three scenarios were presented for reaching the same goal; differences between some economic indicators were minimal and within limits of statistical error.

They reminded that choice of the goals should be made as an outcome of social consultation, and that paths leading to their attainment should remain the experts' domain. Besides the fact that such order is logical, it is worth reminding that an identical idea guided the advocates of socialization of planning and the authors of the law on social and economic planning.

It was said that the present shape of the draft satisfies almost nobody. For the majority of society it is opaque, for the specialists it seems content-poor and fails to answer many fundamental questions. Lack of proposals for economic-financial mechanisms is also a serious shortcoming. It was said that only a plan together with instruments can provide a picture of systemic strategy that may give rise to a useful expert debate.

The authors of the draft were accused several times that the plan had been constructed on the basis of preliminary aggregate analysis, and ignored structural analysis, taking into account only elements of material demand and only marginally paying attention to financial elements (which, alas, is among the perennial cardinal sins of our planning.)

It was stressed that drafting a 5-year plan in the unusual situation of combined unfavorable conditions requires a more innovative approach, a knowledgeable use of the most modern planning methods that are not yet available to a wider group of experts. However, we were presented with a project that is methodologically rather routine.

For the sake of fairness it should be added that not all elements of the plan's draft were so criticized. Its descriptive aspects, for example, were praised. But the forecasting part did not find a single defender in this rather large group. The depicted vision of the future was called a baseless declaration; a three-hour discussion demonstrated that these criticisms were not unfounded.

Professor M. Nasilowski pointed out that never before had a plan been drafted based so strongly on intensive factors. According to many participants, the key assumption concerning growth of labor productivity is too optimistic. Therefore the plan is incoherent in its three-pronged reasoning concerning stimulation of non-wage motivation, the shaping of market equilibrium as an element of material motivation, and proposals for legal regulation.

The last point was made by a lawyer, A. Wisniewski. In his view chances for achieving substantial labor productivity are rather slim if it is proposed, among other things, to apply more rigorously legal provisions for compulsory work by job shirkers, or to restrict the possibilities of changing employment. These methods are ineffective, not to say disgraced.

Dr. R. Romanski pointed out that proposed changes in the law on workers' self-government in state enterprises, based on the notion of giving autonomy to direct producers, may also have a detrimental effect on motivation. These problems are only seemingly remote from the issues of planning. A planner must be conscious of the social processes. Their underestimation in work on the economic future of the country may destroy even the most ingeniously constructed plan.

However, as becomes a group of SGPiS' scientists, the debate was dominated by strictly economic arguments, even though they touched upon what may be called the social basis of the plan's realization (how could it be otherwise!). This is what characterized the remarks of Dr. G. Kolodko who criticized the authors of the draft for not considering a variety of possible rates of inflation even though it is a problem of great significance.

From the rather residual information concerning the course of inflationary processes that can be found in the draft one thing can be inferred, namely that the proposals can assure neither the balancing of the economy nor the lessening of wage and income disproportions. According to G. Kolodko, 5 percent inflation should be a condition for the five-year plan. However, the presented possibilities include inflationary proposals. They follow as much from the present structure of economy as from the structure of investment preferred in the plan. It was stressed that the structure of investment, and not its size, is of primary importance in the present situation.

Everyone agreed that each scenario threatens to freeze the structure that has generated crises. It will be influenced both by the continued investment projects and the carrying out of a program to develop energy and fuel infrastructure which will consume one-fourth of investment capital earmarked for the entire five-year period. This will generate enormous investment and consumption demand. Once again it was said that the only justifiable solution in our situation is to modernize the energy and fuel infrastructure, especially since, as Prof. Nasilowski pointed out, the cost of extracting coal will increase while prices for coal on the world market will probably tend to fall.

This topic was treated more generally by Prof. J. Nowicki who stated that the authors of the draft seem to have forgotten the marxist principle of balanced growth. Experience shows that ignoring the objective law of proportionality between the first and second sector of the economy leads to inflation, fetishization of the material plan, and hidden unemployment, i.e., phenomena which in no way can make it easier to break through the vicious circle of impossibility.

These remarks do not mean that the draft of the plan ignores structural changes. Indeed, they have been presented, but these proposals met with total criticism of the scientists from SGPIIS. It was emphasized that, as someone said, they are half-measures originating from the command-distributive system. Certain areas are given preference while others are given the remaining means. This is a harmful method. Radical decisions are needed to stop production in uneconomic and obsolete fields. This is especially important since, as Prof. P. Bozyk pointed out, the petrification of disadvantageous structure of the economy will be reinforced by the proposed reorientation of foreign trade and the tendency to steer the economy toward an autarchic model.

Against this background, an idea presented by Prof. T. Kierczynski attracted some attention. It concerns the development of branches of the economy with greatest export possibilities. This is a path that one should follow towards restructuring. It is also a guide for investment decisions (e.g., the quantity of investment expenditures per unit of export growth could serve as a criterion). According to the professor, the proposal to develop production for export based on domestic resources of raw materials is wrong because these products are not attractive for foreign buyers and it is doubtful that such trade can be effective.

The proposal to restructure the economy according to export capabilities was supported by many participants in the discussion. They also agreed that the draft's proposals in this area are not aggressive enough, and the assumed growth of exports is "miserably low." It is worth adding, for clarity's sake, that there were two chains of reasoning. The first was presented above. The second, not at all conflicting with the first, regards the proposed export growth as unrealistic with the present structure of production. Other flaws of the draft concerning foreign trade were also pointed out. Examples were given of generalities and cavalier treatment of the problem. These, however, were really asides.

While the meeting was described as a seminar, in fact both sides treated it as a consulting session. Parenthetically, this was the first discussion of this kind between the representatives of the Planning Commission and the representatives of the scholarly community of the largest school of economics in the country. This was pointed out, with satisfaction and hope, by Dr. W. Hubner.

Nevertheless, it is hard to avoid the impression that the discussion was somewhat premature. The scientists were not satisfied by general statements and slogans swarming in the draft. Hence questions were asked about concrete details, numbers, proportions, the structure of expenditures, etc. Doubts expressed by some participants were often not answered at all because--as Minister Zajchowski stated in the beginning, as if to forestall criticisms--the presented plan is only a preliminary version and merely a summary of the first stage of work on the next five-year plan. Thus its general, even vague character.

Perhaps various remarks made by the experts' group will point a direction for work on a methodologically richer and substantively new version of the plan.

Position of PRON Committee

Warsaw ZYCIE GOSPODARCZE in Polish No 27, 7 Jul 85 p 2

[Article by S.L.: "As with the Plan, so with the Reform"]

[Text] The Commission on Socio-Economic Initiatives of the National Council of PRON debated various conceptions of the next 5-year plan.

With regard to the most important social goals in the versions of the plan (foodstuffs, improvements in the market for durable goods, housing construction, and school building) it was said that the housing problem was clearly underestimated. 1.15 million apartments planned for completion during five years is emphatically too few. Not stopping at ascertaining this fact, ways of increasing construction were pointed out. PRON has worked out its own ideas which were already presented by our journal. It is based on creating an office of government plenipotentiary for housing construction who, with a lot of money at his disposal, could stimulate development of housing construction by economic means, without looking back on branch, ministry, and other particular interests. At present, members of the Commission said, it is difficult to understand, for example, why the tax policy of the finance ministry restrains expansion of private construction firms. A subcommittee which studied the problems of construction industry in detail came to the conclusion that a change in this policy would permit at least doubling of production and services for housing by small enterprises. It was said that if the volume of housing construction is limited by shortages in production of a dozen or so materials, then, in light of importance of the problem, the 5-year plan should include concrete investment goals that would liquidate the shortages of such materials in the first years of the plan. However, the presented versions of the plan are silent on this subject.

The uninviting prospects for the solution of the housing question will not be conducive to mobilizing society around the goals of the plan, a mobilization

that is necessary to break through the economic difficulties. There were voices that, in general, in the sphere of social goals, variants of the plan are unattractive and unconvincing.

In the social consciousness there is a belief that if the use of materials and energy in our economy is several times higher than in the highly developed countries, and labor productivity is several times lower, then the economy must have enormous untapped reserves. Their skillful liberation could lead to higher than assumed increases of GNP and consumption. Therefore, at the meeting of the Commission, the discussion concerned not so much the goals of the future plan as the ways and methods of attaining these goals. It was stated that the discussion is not helped by the paucity of instrumentation of the variants. Remarks about the variants of the plan have perforce been transformed into discussion about the mechanisms of economic reform.

The fate of the plan depends on the success of reforming the economy. Hopes were expressed that the reform will be deepened, and economic mechanisms will be used more strictly. One should aim more boldly to achieve equilibrium in the economy which is a condition of the effectiveness of mechanisms which will stimulate the effectiveness of the economy. Several remarks reflected on the fact that, so far, PRON's suggestions concerning the reform have elicited no reaction.

The methodology of drafting the plan also met with criticism. Readers of the variants presented for discussion may have the impression that the choice of the rate of growth of the GNP is being subject to social consultation, but this is not the point. The plan should determine what driving forces will be put in motion (and in what way) to attain the assumed goals. It should describe the distribution of resources. However, it is not yet known whether in the coming 5 years the majority of resources will be at the disposal of the center or individual enterprises. Will they be put, for example, into mining or also into agriculture?

All limitations and choices have their objective pricing of effectiveness. Presenting such calculations would make choices easier. However, in the variants of the plan material balancing is preponderant. A belief was expressed that in view of great uncertainty about conditions (e.g., with regard to terms of debt payment) quickly profitable investments by enterprises should be preferred.

The first deputy chairman of the planning commission, Franciszek Kubiczek, addressed most of the remarks made in the discussion. From this confrontation of views between the representative of central planning and the members of the Commission--useful, I believe, for both sides--it is worth quoting views concerning the ways of restructuring the economy. The Planning Commission assumes that it is not useful to create now a future model of the production structure of the economy and aiming to achieve model proportions. The restructuring should occur mainly through starting the production of goods and using efficient technologies, thus improving the overall effectiveness of the economy. 42 such endeavors are envisioned in the central plan, usually investment goals. Members of the Commission, however, pointed out that restructuring will not be

achieved solely by projects to improve effectiveness. International experiences show, especially in the last few years, that a great role is played here by state organs which consciously choose to favor certain areas of production and limiting others. Often this is accompanied by social unrest. The strengthening of the role of central planning in our economy should mean obliging the central planner to make just such difficult choices and to follow them consistently in practice. The socialist character of the economy would guarantee that structural changes will reflect social interest and will be carried out in a way that minimizes the social costs involved.

12503

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22 August 1985

POLAND

MOBILIZING POLITICAL SUPPORT FOR ECONOMIC REFORM

Warsaw ZYCIE GOSPODARCZE in Polish No 20, 19 May 85 p 15

[Report on one of a regular series of discussion meetings held at the Warsaw chapter headquarters of the Polish Economics Society]

[Text] After Jozef Pajestka, who conducted the first part of discussions on 18 April 1985 (ZYCIE GOSPODARCZE, No 18, 1985), the following round (on 2 May) was led by Zbigniew Madej.

Urszula Plowiec spoke first, mainly about the connections between economic reform and foreign trade. In her opinion, in the long run, the attainment of a favorable balance in foreign trade with countries of the second payments area by reducing our imports will solve nothing. This is a policy of survival rather than one of growth. Effective export will transform the question of the technological level of production and the use of technical specialists. Improved exports requires the overcoming of "dull fiscalism" in relation to businesses as well as of the lack of any current connection between foreign exchange and prices.

In Ms Plowiec's opinion, successful reform also depends on "strengthening the center of the economy's functioning". A lack of consistency in the policy of limiting the budget deficit and in investments has brought on inflation. It is also necessary to strengthen the central economic policy, especially for the realization of the concept of objectified consumer prices and this has become one of the main canons of economic reform. It was an unforgivable sin to discard this concept in 1983-1985. Responsibility for following this policy in pricing is so important that it requires legal execution. Someone must be responsible here for certain actions and we must know who is to blame. The legal side of reform must therefore be strengthened with regard to such persons. Ms Plowiec even mentioned certain constitutional provisions.

Mieczyslaw Perczynski asked what social forces we can count on to support reform. In his opinion, we cannot count on any widespread public support because the reform is creating a chance for the future and people are impatiently awaiting some quicker improvement. The amount of support given the reform by managers is also somewhat limited because the financial results of businesses are not a sufficiently important criterium for their assessment.

The social force for reform can and should be the government. M. Perczynski mentioned Hungary, the Soviet Union and China as governments promoting economic reform.

In reference to Jan Mujzel's statement of 18 April, he agreed with the latter's final model but did not share his views on how we are to establish it. In M. Perczynski's opinion, one cannot agree with the view that reform will either be carried out quickly or not at all.

Others that spoke during the discussion were Jozef Mrzyglod, Mieczyslaw Rakowski, Kazimierz Leszczynski, Kazimierz Klosinski, Ryszard Pluta, Lucjan Siemion and, at the conclusion, Jan Mujzel and Zdzislaw Sadowski. There was mention of a "reserve" for improving the efficiency of management which still continues to be colossally wasteful. Stronger regulation of the pricing system was called for. It was stressed that the condition for balancing the economy is streamlining our structural and investment policy which remains under enormous pressure and of extensive methods for which there are no longer any resources.

12261

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POLAND

JOURNAL EXAMINES MARKET ROLE IN PLANNED ECONOMY

Warsaw ZYCIE WARSZAWY in Polish No 20, 19 May 85 p 15

[Article by G.S.: "Enterprise and the Market: The Market in Economic Planning"]

[Text] The 4 June 1984 issue of the quarterly popular-science journal PRZEDSIĘBIORSTWO I RYNEK contains two interesting articles on the market and economic planning. The first article, "Balance, Competition And Central Planning", by Wacław Grzybowski, examines the degree to which the restoration of equilibrium to the market depends on the increased scale of production, improved management, the magnitude and structure of public demand for products and socialized buyers. The author calls for a deflationary policy and states that "it is limited availability of money, limited minting of new currency and the subsequent difficult profits and very bothersome losses that will force producers and merchants to compete for the money of purchasers": in other words, more competition in the market is needed.

The second article, "The Market And Cooperation", by Zdzisław Knecht and Wiesław Trzeszkowski states that the chief cause of the poor equilibrium in the economy and market was (and is) the result of defective and incoherent management of the economy and market rather than any shortcomings in the system. At the same time, they state that even if we had a coherent system of management "it would be neutralized by the mechanism of monopoly, including the type of monopoly natural to a socialist economy". In the authors' opinion, economic reform will not have any positive results if the market policy of the central government does not acquire the character of a market policy for buyers.

This issue also contained an article by Maria Świetochowska, "Home Management As A Rival To Production And Services Industries" in which she discussed the so-called self-sufficiency of households which is necessary in a situation in which industry, business and services do not properly meet their tasks but which also indicates regression in the process of the public division of labor. In their article, "Problems In The Organization Of Domestic Businesses", Kazimierz Barański and Jacek Koczorowski point out the reserves available in the organizational structure of commercial enterprises and propose methods by which these organizations can be streamlined. In "Innovations In Business Equipment And Technology", Andrzej Dabkowski describes the "store of the future" in which the purchaser uses a television with a small keyboard to view products and make purchases without leaving the

comfort of his home. In "How Are We To Study The Needs Of Organized Tourism?", Jan Karwowski gives some useful advice while in their article, Marta Skwarczynska and Ryszard Slojewski try to answer the question of "What Is Hindering The Growth Of Tourism In Szczecin?". Anna Sokol in her article "At Last We Have Something!" and Leszek Jerzy Jasinski in "Choosing The Shortest Route For Delivery Of Products" examines the streamlining of product transportation and the reduction of its costs (the length of product delivery routes can be reduced by 10-15 percent). Henryk Graszewicz discusses his "Vision Of The Growth Of Skilled Crafts By 1990" and shows that there are many obstructions to this growth. Ewa Breisa-Knecht answers the question of "Why Have Bookkeepers Formed Associations?" and Teresa Przewlocka, in her article "Competitive Directors" describes the practice of competitive placement of directors in domestic trade and services.

12261

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POLAND

RULES ON ALLOCATED MATERIALS RESALE RELAXED

Warsaw ZYCIE GOSPODARCZE in Polish No 20, 19 May 85 p 15

[Article by M.K.: "What To Resell And How"]

[Text] Many misunderstandings and doubts are produced by restrictions on the resale of allocated materials because these changes were introduced by the unpublished 19 November 1984 Council of Ministers Resolution 149 on central yearly planning for 1985. The provisions of this resolution include changes to Resolution 142 of 24 October 1983 on the principles of material and equipment supply for 1984-1985 that were introduced by Council of Ministers Resolution 11 which was announced on 22 February 1985 and came into effect on 1 January 1985 [sic].

It must be recalled that persons that were obligated to mediate in the movement of materials had until recently the right to first purchase of materials if they were resold by the recipients. This change introduced the principle of first purchase of these materials from all recipients. This principle, which significantly cramps the freedom to possess materials and which has also caused much controversy, has been loosened somewhat in the 30 March 1985 Decree Number 6 of the Ministry of Materials Management.

The right to first purchase no longer covers 32 materials and products. These include pit coal, coke and semi-coke, raw and enriched iron ores and the ores of many light metals as well as work safety equipment, shoe glue and protective and work clothing.

Businesses may also freely resell allocated materials with the exception of nonferrous metals, precious metals and liquid fuels if they are to be used for the needs of schools, training workshops, scientific research establishments, hospitals and pre-schools. The same applies to the resale of allocated materials to cooperatives and persons or firms doing repair work ordered by the given entities. The right to first purchase is also no longer valid in the case of materials resold between small businesses as well as wastes and unfinished products. This principle also no longer applies to materials sold to workers in the construction and construction materials industries according to the so-called construction charter.

12261
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POLAND

ECONOMISTS CONFER ON FRANCHISING SYSTEM PROBLEMS

Warsaw ZYCIE GOSPODARCZE in Polish No 20, 19 May 5 p 15

[Article by Janusz Turakiewicz: "The Polish Economic Society on Agents"]

[Text] Speaking out against announced requisitions, the Zielona Gora provincial chapter of the Polish Economic Society developed in 1984 a program for a training conference on franchises in socialized businesses and services. The latest conference devoted to this problem was held in April of this year in Jelenia Gora. Reports were made to this meeting by S. Knocinski ("The Legal Character Of Franchises And Contracted Work", "Legal Relations Between The Franchisee, Cooperating Persons and Employees", "The Franchisee's Responsibility For Property Entrusted To Him"), J. Turakiewicz ("General Considerations Of Franchise Contracts In Business and Services Between Franchises Holding Leases Issued By Public Sector Businesses [JGU] And Persons Cooperating With Franchisees"), E. Sciana ("Principles Of Keeping Tax And Business Records", "Tax On The Sale Of Moveable Objects Of Foreign Origin"), J. Cichosz (Social Security Benefits For Illness And Pregnancy Available To JGU Agents, Persons Cooperating With Them As Well As Their Employees"), J. Calek ("Social Security Benefits Of JGU Agents And Persons Working With them") and R. Jaholkowski ("Property And Personal Insurance Of The State Insurance Bureau In Franchise Activities").

The subjects provoked lively discussion both during the plenary sessions and during the team consultations. It was pointed out that the determination of the basic principles for the conclusion of agent contracts in a single legal document published in the government's public organ is considerable progress in comparison with the previous situation in which these problems were regulated by many laws, not all of which were always known to the public. However, unclear definitions and formulations that are not easy to interpret do continue to exist. Of particular interest in this case were examples of specific tax calculations.

The conference organizers gave participants a transcript of the proceedings ("Agent Contracts In Socialized Commerce And Services", Zielona Gora, 1985, second edition) which contained most of the reports that were read there as well as some post-conference materials. Persons interested in the subject can receive these materials by mail.

12261
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POLAND

INDUSTRY REPRESENTATIVES POLLED ON REFORM

Warsaw POLITYKA in Polish 8 Jun 85 pp 1,4

[Article by Zygmunt Szeliga: "A Period of Maturing"]

[Excerpts] The Poznan party-management conference (31 May-1 June) gathered a competent group -- without competence. Competent because a large proportion of the political administration was in the conference room, including the first secretary of the PZPR Central Committee and the chiefs of fraternal parties, the government almost in corpore, representatives of the administration of the Patriotic Movement for National Rebirth, administrations of trade unions, secretaries of PZPR provincial committees, directors of selected enterprises, secretaries of party plant committees, chairpersons and representatives of workers self-governments and plant union organizations, representatives of the world of science and technology, in a word, a representative body of people who actually make the decisions on basic economic matters.

At the same time, it was incompetent since as a group, they could not make any binding decisions. For this reason also, the Poznan conference did not end with a resolution. Decisions will only follow. The primary purpose of the conference was an exchange of views by this broad, competent group, representing all centers on which the reform depends: from the political and economic center through middle management and administrative rungs, advisory bodies and units to the administrative, self-governing and political administrations of enterprises. This was the first meeting of such a group since the beginning of the reform, and it was undoubtedly a useful meeting.

...I attended the plenary meetings as well as the discussions of unit III, which was concerned with the theme, neuralgic, in my opinion: "Enterprises in the Reform." In the corridors, on the other hand, I tried to gather opinions of my reporter colleagues and of the participants from other units, and on this basis I reached the conclusion that there is a quite significant difference of views in evaluating the state of the reform.

This statement is by no means a discovery, but in Poznan it assumed a somewhat new aspect. Here representatives, broadly perceived, of the economic administration voiced the view that the state of the reform is good, or even very good, and if something is not in order, then it is only because objective conditions are so disastrous, and the enterprises themselves or the state of society's awareness are responsible for that.

Meanwhile, representatives of enterprises as well as science were considerably more cautious or more skeptical in evaluating the state of the reform, saying specifically that during the 3.5 years none of the reform's basic solutions had been wholly implemented. Even if one takes into account that objective conditions and the state of social awareness during the 3.5 years certainly make it impossible to fully implement the new mechanisms, it seems equally certain that the reform could still have been and should have been advanced much further.

Participants at the conference who represented this view had a firm basis not only in their own experiences, but also in the materials that they received before the conference. Thus, for example, in the draft, "Report on Implementing the Economic Reform in 1984," there are results of polls and consultations on the subject of the state of the reform and its prospects that are worthy of attention. Here I will limit myself to an anonymous poll that included 5689 administrative personnel of enterprises, or 45 percent of the total number of this group in the 25 main sectors of the economy that the poll covered.

To the question of independence of enterprises, only 24 percent of the respondents said that it "already exists"; 40 percent, that "it will be a reality in a few years"; 13 percent, "in a dozen years or so"; 14 percent, that "it will never be"; the remaining 9 percent had no opinion. In the opinion of the directors, the principle of self-financing and self-government is significantly more advanced, respectively: 44 and 31 percent, "it already exists"; 29 and 36 percent, "in a few years"; 15 and 11 percent, "in a dozen years or so"; 7 and 12 percent, "never." To the question as to the consonance of structures of the central administration with the reform, the answer was at the opposite pole. Here scarcely 7 percent of the respondents believed that such consonance already exists; 33 percent, that it will come to pass in a few years; 13 percent, in a dozen years or so; 13 percent, that it will never happen; and an exceptionally large number, 33 percent, had no opinion on this subject.

In any case, none of the 12 questions of the poll was answered with "it already exists" by more than half the respondents (closest to this was the subject, "limiting by the enterprises of unreasonable demands for investment funds -- 45 percent of the directors admitted that this already exists"). Here we must take into consideration that the directors would naturally "point" higher in those areas that are the domain of their direct decision such as, for instance, demands for investment funds, and lower, in those that lie beyond the enterprise (for example, the structure of the central administration). But even with these adjustments, the poll cannot be minimized, and if I may make a judgment, the attitudes of the participants of the Poznan conference, representing the enterprises, agreed with the poll...

2950

CSO: 2600|909

POLAND

FOREIGN TRADE, NATIONAL INCOME GROWTH WED IN PLAN

Warsaw TRYBUNA LUDU in Polish 26 Jun 85 p 5

[Article by Tomasz Bartoszewicz: "5 Year Export Plan"]

[Text] Not too long ago when it was said that the plan for 1986-1990 should be a "5 Year export plan", this was considered to be an exaggeration. Today, after the publication by the Council of Ministers Planning Commission of the concept of the variants of the 1986-1990 Socioeconomic National Plan, there is--I should think--less doubt. Everyone who becomes thoroughly acquainted with the presented variants will have no problem noticing that the growth rate of the national income depends on, above all, the import possibilities of the economy. However, under the present economic determining factors, these possibilities depend in turn solely on export results.

It follows from the data of the Planning Commission that for the lowest variant of the plan, the demand for imports increases approximately 1.3 percent for 1 percent of national income growth. However, in the case of the highest variant, this amount comes to 1.5 percent for 1 percent of national income growth. This indicates that regardless of the selected variant, the rate of increase of foreign trade turnover must outpace the national income growth.

In accordance with the plan assumptions, the average annual rate of increase for imports should come to approximately 3.9 percent in the first variant; approximately 4.9 percent in the second variant and approximately 6 percent in the third variant. This indicates that the higher the rate of increase selected for the national income, the higher the demand of the national economy will be for imports. This ratio is connected to, among other things, the lower import intensiveness between 1982-1985 which was at that time necessitated by the country's difficult payments situation and by economic restrictions.

Necessitated Reductions

At this point, the readers have the right to ask the question: Is increased import intensiveness of the national income a necessary measure? After all, a lot had been written at one time claiming that supposedly our economy is overly dependent on imports.

The matter really does require an explanation. A sad necessity is not a virtue. By lowering the import intensiveness during the first half of the 1980's, we carried out an economically ineffective measure imposed on us by political considerations. Such was the reality of things; there was no possibility at that time of obtaining new credits while the necessity of repaying our debt (interest) forced us to lower imports to a level dictated by the country's modest export possibilities. This measure was extremely expensive. However, it was indispensable.

One of the effects of the policy of necessitated import reductions is the unused production potential in many areas of industry. The lack of import possibilities of certain materials and semi-finished products from countries of the second payments area resulted in that many modern manufacturing plants built during the 1970's on the basis of technology bought in capitalist countries, were unable to make full use of the installed potential. The possibility of substituting the imports obtained until that time from Western countries with raw and other materials or supplies from CEMA countries did not always exist.

Export's Head Start

In order to achieve the rate of increase for imports anticipated by the particular variants of the plan, exports must rise considerably faster. In the first variant, it is necessary that the average annual rate of increase for exports in the amount of 5.3 percent be achieved; in the second variant, this amount should be 6.1 percent and in the third variant 7 percent.

In addition, a matter of extreme importance is that the growth rate of exports of basic raw materials cannot exceed 1 to 2 percent on an annual average. There is simply no possibility for a greater production increase in mining industries. Apprehension is even being expressed whether we will be able to manage these minimal additional amounts under conditions of a low tendency to conserve raw materials and energy in the majority of industrial enterprises. After all, the conflict between the needs of the economy and the exigencies of the export industry is constantly intensifying. Up to this time, industry was used to the fact that a rise in production was achieved by extensive methods, primarily by the increased use of stock [material wyjsciowy]. This trend simply cannot be continued during the 1986-1990 period.

Since we cannot count on a significant increase in the export of raw materials and fuel, the achievement of assumed goals will be possible only through the activation of the exporting of processed products originating primarily in the chemical and electrical-engineering industries. For these commodity groups, the assumed average annual rate of increase for exports amounts to 11 to 15 percent depending on the plan variant.

This undoubtedly is a very high rate even if we were to take into account a low base of issue [baza wyjsciowa].

Therefore, the construction of the plan assumes the basing of an increase in exports on processed goods. The country's import capabilities and consequently the possibility of increasing the national income will depend on the success of activity in this field.

And one more thing. The readers have the right to ask the question: Why do all the plan variants project a higher rate of increase for exports as compared with imports? This simply arises from the necessity of working out a high surplus of exports over imports in order to attend to the debt. At the same time, there exists a definite ratio: the higher the average annual rate of increase of exports, the lower the gap between exports and imports. Thus, if the first variant were to be selected, this gap would amount to 1.4 percent whereas in the third variant, it would be only 1 percent on an annual average.

It Is Not Enough to Produce

It would be a mistake to accept the assumption that in order to achieve the assumed export growth rate, it is enough to allocate for exports an appropriately large amount of so-called bulk commodities. Such reasoning is valid only in the case of raw materials, fuel and certain agricultural-food products. However, in relation to processed goods, quantity does not always translate into value. It is not a secret that a significant portion of the domestic industry's production is, putting it mildly, far from satisfying the requirements placed on international markets. It is a question here of not only the up-to-dateness of products but also of their quality. Naturally, everything or nearly everything can be sold but at what price? In many instances, export growth calculated on the basis of foreign-exchange income may turn out to be considerably lower than growth determined by domestic prices and costs.

A factor which further aggravates the lack of equilibrium in this area is the situation of the domestic market which is demoralizing to producers because they can sell nearly everything here but in the case of exports, this is totally impossible. This fact should be kept in mind when drafting plans.

In sum, the tasks standing before the national economy for the years 1986-1990 in the area of foreign trade, promise to be extremely important. The possibilities of increasing the national income will depend on the success of the action undertaken in this area. Therefore, the upcoming 5-year plan may truly be described without any exaggeration as the "5-year export plan".

9853

CSO: 2600/840

22 August 1985

POLAND

POLISH HAM EXPORTS TO U.S. ANALYZED, JUSTIFIED

Warsaw PRZEMYSŁ SPOŻYWCZY in Polish No 1, Jan 85 pp 20,21

[Article by Jerzy Wierzbicki: "Polish Hams in the USA Market"]

[Text] The export of canned hams holds a stable and significant position in our balance of payments. In 1983 it amounted to 251,000 tons worth \$74.4 million f.o.b. This export has a rich history of more than 50 years. It goes back to 1933 when as a result of legislation by the British government at the end of 1932, the supply of bacon was limited, Polish export of 55,000 tons of bacon was reduced by half, and the material made available in this way provided motivation for initiating production of hams and preserved meat for export. A record of canned ham export is presented in Table 1.

Table 1. Export of Hams (Thous. Tons)

<u>Year</u>	<u>Quantity</u>
1933	0.6
1937	19.0
1939	11.7
1949	1.3
1955	13.4
1960	17.2
1965	22.3
1970	23.4
1975	37.8
1979	46.2
1981	23.0
1982	18.6
1983	25.1

From the beginning, ham export was directed toward U.S. markets and in the past 50 years its share in the total export of hams was 80 percent, while combined export of hams and canned meat was approximately 65 percent of total export during that period. For many years, Polish canned ham has held a leading position in American ham import.

According to U.S. statistical data, in 1934, Polish ham made up 57 percent of the import of this commodity into the American market. In recent years, this

share has fluctuated very significantly and amounted to the following percentages annually:

1978	30
1979	38
1980	43
1981	28
1982	17
1983	22

Both shortages of raw materials and periodic, specific local difficulties were the reasons for such severe regression in ham export to the U.S. in 1982.

Our share in American import amounted to 22 percent, as of 1984, and is at present stable and is being maintained at a similar level this year.

To give a more complete description of the position of Polish ham in the U.S. market, we must relate the total American import of ham to the amount produced locally. The amount produced in the U.S. and the amount imported are presented in Table 2.

Table 2. Production and Import of Hams by the U.S. (Thous. Tons)

<u>Product</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Canned hams imported	98.3	93.8	96.6	124.8
U.S. production of canned hams	139.8	112.0	89.0	86.3
U.S. production of hams not canned	1857.6	1856.0	1659.0	1700.0
				incomplete data

It is evident from Table 2 that the U.S. market absorbs 200,000 tons of canned hams annually, half produced locally and half imported, and that there is a trend toward increasing ham import. The relatively small share of canned hams, amounting to scarcely 10 percent, in the total consumption of hams in the U.S. market should be noted. Smoked hams and hams in plastic play a dominant role in market turnover. Hams in plastic are becoming ever more popular in the U.S. market since those involved believe that packing in plastic has an obvious advantage over packing in cans. The producer can sell the product more cheaply because plastic costs less than tin; the slicer no longer has to waste unneeded tin cans, and the consumer can see what he is buying. The Polish meat industry and Animex have not remained indifferent to the changes taking place in the principal receiving market, and on 6 June, 1984, the Kola Meat Plant sent the first consignment of hams in plastic to New York thus initiating a new stage in ham export.

Following the example of the Kola Meat Plant, the Ostroda Meat Plant and the Rawa Mazowiecka Meat Plant are initiating regular shipping of hams in multi-layer foil.

It is difficult at present to anticipate what the rate of change from packing hams in tin to packing them in plastic will be, both from the standpoint of demand on the American market and the production capacity of the meat industry; we can only say that more than 10 percent of the supply of the larger export hams are already put up in plastic, and our goal is to bring the supply of plastic-covered hams weighing 11 lbs up to 10 percent during this year.

The present export of hams and shoulders from Poland is characterized by advantageous price relations both in comparison with competing prices and with respect to Polish turnover, the relations of import of pork and export of hams.

The relations of Polish prices with respect to the competition seem to be the following: The price ex warehouse \$/kg of the most representative assortment of hams, that is hams weighing 11 lbs and comprising almost one-half of our total deliveries, which include 13 various kinds of hams and shoulders, as recorded for 1976-84, fluctuated from 3.57 in 1979 to 3.79 in 1984.

It must be noted that actually in relation to price f.o.b. the price ex warehouse (from the store) includes a whole array of costs, specifically, freight, duty, port charges, and cost of distribution in the U.S., but considering the fact that all exporters pay the same duty, and the other costs are approximately the same, then with a certain flexibility, the market price list can be accepted as being representative of relations in the effectiveness of export.

To get a picture of the magnitude of the costs under discussion, we submit that in July, 1985, the price f.o.b. of a ham weighing 11 lbs was \$3.20/kg as against \$3.79/kg as the set price ex warehouse.

Here we must take into account that the prices ex warehouse are only approximate since they change daily.

Table 3 shows the comparative effectiveness of export, specifically, the prices paid for imported pork carcasses as against the prices f.o.b. received for export of hams and shoulders to the U.S.

The possibilities of buying 2.5 times the amount of pork carcasses for the profit realized from export of hams and shoulders means that, considering the differences in quality of the raw materials used for producing canned hams in relation to the carcasses, there is an obvious improvement in the meat balance for the country, and, moreover, in the export of canned hams, a real economic element is the export of Polish meat technology, which decidedly affects prices in an advantageous way.

Table 3. Effectiveness of Export

<u>Year</u>	<u>Prices f.o.b. export of hams and shoulders (\$/ton)</u>	<u>Prices c.i.f. pork import (\$/ton)</u>	<u>Percentage ratios</u>
1981	3596	1336	269
1982	3650	1254	191
1983	2959	1161	251
first half 1981	2918	1010	289

There is no doubt that the price effects would be even more advantageous if we could increase the volume of exported hams by decreasing the export of shoulders. We must remember that in Poland, the prices of canned hams exceed the prices of canned shoulders by scarcely 2.5 percent while in the American market, the prices of hams average 25 percent higher than the prices of shoulders.

Therefore, without disturbing the meat balance, would it not be worthwhile to try to increase the production of canned hams and decrease that of shoulders, all the more so since interest in imported shoulders, as against hams, is definitely dropping in the U.S. market; at the same time, in the Polish balance, as we know, the level of using the ham supply for canned ham exports does not exceed 40 percent.

Summarizing the economic aspects of ham export, mentioned above, we must firmly state that considering both the overall economic conditions of the country and our balance of payments, this export deserves full community support.

2950

CSO: 2600/911

POLAND

NATIONAL TOURIST AGENCY IMPOSES NEW TRAVEL RESTRICTIONS

Warsaw ZYCIE WARSZAWY in Polish No 20, 19 May 85 p 15

[Article by H.S.: "Foreign Trips Regulated"]

[Text] We have already known for some time that, aside from their tourist value, foreign trips are still important in that they provide many persons with their primary means of supporting their children through business transactions carried out in the countries they visit. The disadvantage of such transactions is that not everyone can afford to take these trips.

The Chief Committee for Tourism has the ambitious intention of taking action to remedy this situation. This year, there will be introduced a two-stage activation of summer trips to other socialist countries. The trips will be first of all offered at places of work and to social and youth organizations and then for sale in travel bureaus. This year, everyone will be allowed to make only two trips to socialist countries (through a trip arranged by a travel bureau) and just one trip to Hungary or Romania.

Short trips to capitalist countries have been eliminated and travellers must visit the countries for at least 5 days. This provision does not include trips for special events such as sports matches. For every two days of a visit, there will be at least one prepaid tour aside from any additional attractions.

The results achieved by these measures remain to be seen. What, however, what certainty is there that they will hinder purchases?

Last year, about 90,500 persons travelled to capitalist countries on trips arranged by travel bureaus. The largest number of Polish tourists visited Turkey, Italy, Greece, West Germany, France and the Scandinavian countries. It is predicted that about 100,000 persons will take trips abroad this year and about 250,000 fewer (30 percent less) tourists will visit socialist countries due to financial difficulties.

12261

CSO: 2600/803

POLAND

BRIEFS

POLISH, FRENCH FINANCE MINISTERS MEET--Paris (PAP)--Polish Finance Minister Stanislaw Nieckarz met the French Minister for the Economy, Finance and the Budget, Pierre Beregovoy in Paris on 16 July. The two ministers discussed the implementation of multilateral agreement rescheduling Polish guaranteed credits due in 1982-1984, which Poland had signed the day before with the Paris Club of government creditors; they also talked about bilateral credit and trade relations. Both sides expressed their readings to normalize financial relations and increase mutual trade. The meeting was attended by the Polish Ambassador to Paris Janusz Stefanowicz. Later in the day, Minister Nieckarz held a press conference for French and other correspondents at the Polish Embassy in Paris. Minister Nieckarz explained how the Polish Government understood the significance of the agreement for the creditor countries and Poland and how it viewed prospects for the development of Poland's economic relations with the West. [Text] [Warsaw ZYCIE WARSZAWY in Polish No 165, 17 Jul 85 p 6]

POLISH-YUGOSLAV TRADE--Both Poland and Yugoslavia have been showing an increasing interest in bilateral trade. An improved knowledge of each other's needs has led to contracts that are profitable to both partners, such as the recent Yugoslav purchase of 10,000 Lucznik typewriters, in exchange for which Yugoslav printers are preparing encyclopaedias, compendiums and other publications very much in demand on the Polish market. This way Poland's weak printing industry will be receiving considerable support, with the Polish reading public benefitting most. Firms in Belgrade are also major buyers of the fiber board manufactured in Przemysl. During the first 6 months of this year, they took delivery of nearly 230,000 square meters of hardboard. [Text] [Warsaw ZYCIE WARSZAWY in Polish No 165, 17 Jul 85 p 2]

POLISH HELICOPTER IN USSR--Warsaw, 19 Jul--According to latest information, the new Polish helicopter "Sokol" which has been undergoing tests in the USSR since December, will be employed in all climatic zones of the Soviet Union. "Sokol," the brainchild of Polish scientists and engineers, will be produced in a variety of models--passenger, ambulance, life-saving--at the Swidnik factory of transportation equipment. It will have a maximum carrying capacity of 2,100 kilograms, speed of 200 kmh, top flight altitude of 5,000 metres and maximum range of 300 kilometres. The passenger model will carry 14 people, including two pilots. The "Sokol" will replace an earlier model, the MI-4. Cooperation of the Swidnik factory with Soviet aviation industry has not been limited to exchange of technological information. The Soviet partner has been delivering a number of important materials and helicopter parts. [Text]
[Warsaw PAP in English 1424 GMT 19 Jul 85 LD]

SHIPPING INDUSTRY PROBLEMS--On 15 July, talks between the PZPR Central Committee commissions, the International Commission and Maritime Commission started in Szczecin. The subject is Poland's cooperation with foreign countries concerning shipping and the use of the sea surface and sea bottoms. The Szczecin talks, chaired by Stefan Olszowski, Politburo member and minister of foreign affairs, are a further stage in assessing and analyzing individual sectors of the maritime economy. Many sectors have noted clear progress and achieved positive results. However, some of them have suffered setbacks recently because of shipping difficulties and Poland's restricted access to fishing areas. These are objective causes stemming from the restrictions in policy vis-a-vis our country. But the setbacks in other sectors of the maritime economy often have subjective causes stemming from neglect and mismanagement in enterprises. These must be eliminated and excluded from any further extensive development of the maritime economy. [Tadeusz Jaworski report]
[Excerpts] [Warsaw TRYBUNA LUDU in Polish 16 Jul 85 pp 1, 2 AU]

CSO: 2600/949

22 August 1985

YUGOSLAVIA

SMALL BUSINESS STATUS, TAX POLICY DISCUSSED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 8 Jul 85 pp 14-15, 18

[Article by P. Sitarski: "The Predominance of Subjectivism in Taxation"]

[Text] While the creators and the arbiters of the conditions for self-employment proudly emphasize the tax exemptions and other incentives for small business, private operators are persistently pointing to the policy of discrimination toward them, not only in practice, but also in certain pieces of legislation. These differing views arose once again in the recent discussion in the Federal Council of the SAWPY, precisely on Self-Managers' Day, which brought together representatives of the federal administration, republic bodies of the Socialist Alliance, the opstina association, the scientific community and the self-employment sector itself. On that occasion it was made clear that even today the sector of self-employment confronts the philosophy of "put it to the private operator," and not only because of the burden of taxes and contributions, and that the attitude of opstina tax collectors even has some basis in many legal provisions.

The new republic and provincial laws (in some sociopolitical communities they are still in the works) have not improved the private operator's position following the conclusion toward the end of the year of federal agreements on the tax system and tax policy. According to a survey covering 100 or so opstinas in Serbia proper, in the first 3 months of this year owners abruptly shut their shops and gave among their reasons the legislation concerning the tax burden, although this should not have been the decisive motive.

The statistics show (they have been processed only for 1983) that there are only about 100,000 people employed in about 218,000 private shops. The ratio is much the same in that segment from which the most is expected, in the productive crafts and trades: 77,000 persons employed in 124 establishments. On the average there are two workers employed for every three establishment owners, which is still far from the legal quotas in all the republics and provinces.

The policy of encouraging small business has mainly revolved around tax exemptions for a long time. The legislation provides the opportunity of reducing the tax base by the amount of new investments, reducing the tax rates in the first years of operation, and exemptions when workers are hired. In practice

everything still depends on the opstina administration. In Belgrade, for example, the tax base is reduced by half the amount of the investment, but only in the current year and subject to an absolute limitation to 170,000 dinars. In Bosnia-Hercegovina the republic law allows opstina decisions to reduce the tax by 15 percent on investments above 500,000 dinars, but only in the first year. The agreement on the bases of tax policy (federal), incidentally, allows reduction of taxes on the basis of new investments to 25 percent of the amount billed, and this may be for as long as 5 years. The owner could obtain a 10-percent tax reduction for every newly hired worker as well--but only in the year when he is hired.

The billing and collection of direct taxes lies entirely in the jurisdiction of the opstina administration. Informed people openly say that the opstinas are setting higher tax rates because they do not believe that the income declared is accurate. Tax collectors justify themselves by the inclination of private operators to give short weight in their bookkeeping. Their mistrust is institutionally confirmed in the legal provisions. The Constitutional Court of Croatia at one time frustrated the attempt to arbitrarily set a minimum on the tax base regardless of the state of the facts. Judging by the letter of the federal agreement on the bases of tax policy, which has been in effect since the beginning of this year, opportunities of that kind are still available. That is, the agreement set the lowest rates for taxation of income from self-employment, while the level of the rate is left to the discretion of the opstina bureaucracy. The minimum rates were set in the range from 5 percent to 15 percent depending on the line of business rather than on the economic strength of the taxpayers expressed in earned income. This violates the constitutional principle to the effect that taxes should be paid according to the taxpayer's ability to pay, which in fact stands at the beginning of that agreement, which thus contains provisions which contradict one another. That is why the Association of Craftsmen, Hostellers and Truckers from Ada instituted proceedings before the Constitutional Court of Yugoslavia to bring the contradictory provisions into line.

Direct taxes are not any great burden in and of themselves. Contributions represent a larger burden and are rising more rapidly, which means that the fiscal aspect is more operative with them. The total collection of taxes, contributions and other obligations charged to personal income from self-employment was last year 36.2 billion dinars, 51 percent more than in 1983. The share of contributions increased from 62.4 percent to 63.2 percent over the same period of time.

The sales tax on products and services, which is in the legislative jurisdiction of the Federation, hits self-employment harder than it does associated labor. The private operator, for instance, must keep daily business books according to the provisions of the federal law on the turnover tax, while the bookkeeping of organizations of associated labor is considered up-to-date if business changes are entered within 8 days. The requirement of making the entries daily prevents shopowners for all practical purposes from using the services of accounting firms, which began to be established when the economic reason arose, that is, when the obligation was instituted that private craftsmen and tradesmen must also keep business books. They simply do not have the time

to make a daily trip to the accounting firm with the pile of sales slips and receipts.

It is also difficult to guess the reason for the legal provision which treats every sale of equipment to a private craftsman as a sale of goods to a final consumer and prescribes that the turnover tax be collected. Discrimination of self-employment is also manifested in the regulation on penalties in that the private operator may pay a penalty 100 times greater because his books are not up-to-date or inaccurate than the responsible person in an organization of associated labor (500,000 dinars in the first case as against 5,000 in the second).

The protests and initiatives of independent businessmen aimed at changing these and similar discriminatory provisions have as a rule gone without response. To be sure, some of them were incorporated in the amendments and supplements to the law on the turnover tax at the end of last year, but certain new and similar ones also made their appearance. Hostellers from Novi Sad give one example. The law increased the base for billing the turnover tax on alcoholic beverages in private bars and restaurants so that commencing at the beginning of this year the tax is paid on the sale price (in the establishment), rather than on the purchase value, which was previously the case. At the same time the tax rates were also raised 5-14 percent. Yet the tax schedule for hostelry in the socialized sector was given a lower rate, 30 percent of the rate prescribed, but that does not apply to private operators. The Novi Sad people (private hostellers) calculated on the basis of actual figures that the independent hostellers, who last year sold beverages worth 2.38 million dinars and paid 231,605 dinars in tax on that will this year have to pay 560,554 dinars on the same amount of sales, while the obligation of the socialized establishments is reduced 208,797 dinars on the same sales of alcoholic beverages.

The opstina policy supports the development of the crafts and trades, especially those which are productive, in a declarative manner, but it wants to discourage the opening of hostelry facilities. In practice there are more new hostelry establishments than craft and trade establishments producing a product or providing a service. Some of the reasons should be sought in the legislation, including tax legislation. The revaluation of fixed assets has not been recognized for producers in the private sector, nor the money invested in the land and building for a shop. Everything that is left to the owner after payment of costs and gross personal incomes of those he employs is treated as his personal income (except in Slovenia) and is used as the base for computing taxes and contributions. He must worry about reproduction himself. By and large the legislation, even the most recent legislation, does not afford realistic depreciation. In Bosnia-Herzegovina, for example, the depreciation rate is set by the executive council for private craftsmen and tradesmen. Those rates, the craftsmen and tradesmen there say, are 30 percent lower than for organizations of associated labor.

The attention of "social factors" has been aimed above all at determining the accurate level of revenues. The conditions for realizing and creating income in the private sector are mainly outside the purview of development policy and economic policy. The private operator gets no exemptions when he purchases

equipment. If he is to obtain foreign exchange or the right to import, there are many forums which he must court. There are thousands of applications of private operators waiting for consent in economic chambers.

According to the most recent amendments to the law on the turnover tax, when a private craftsman or tradesman purchases production supplies, he must meet no more nor less than 17 prescribed conditions. One of the conditions is to present for examination the contract with his cooperative on the joint and several liability for the turnover tax, which means that he is liable up to the value of his property for payment of the tax regardless of which member of the cooperative owed the tax. Another new thing is taxation of cooperative arrangements between the cooperative and the private operator as though these were separate entities, that is, that the cooperative exists separately and independently of its members.

A consequence which all these and other similar restrictive and menacing arrangements in the system have in common comes down to one thing: a decline in the quality of work and business enterprise in the sector of self-employment. The person who is a more nimble bookkeeper and is more crafty in making deals with the tax collectors and opstina bureaucracy fares better than the person who is a better craftsman and tradesman and has the ability to expand his activity and thus ultimately makes a larger contribution to the "state treasury."

7045

CSO: 2800/379

YUGOSLAVIA

ECONOMIST INTERVIEWED ON USEFULNESS OF LARGE SYSTEMS

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1796, 2 Jun 85
pp 20-24

[Interview with Dr Stojan Novakovic, professor, by Jug Grizelj: "Socialism and Large Systems"; date and place not specified]

[Text] NIN's interviewee in this issue, Dr Stojan Novakovic (Tabanovic, Mionica, 1919), has for many years been a professor in the School of Economics at Belgrade University and a scientific adviser of the Institute for Transportation Economics. In recent years he has been president of the Federation of Serbian Economists and president of the Federation of Yugoslav Economists, as well as dean of the School of Economics. Because of his exceptional familiarity with the problems of transportation, he was also the director of the working group for drafting the Long-Range Program for Economic Stabilization in the transportation sector as well as director of the working group for transformation of the Yugoslav railroads in keeping with the Long-Range Program--which, altogether (let us add only his participation in research of the School of Economics at Belgrade University on the topic "Influence of Large Systems on the Functioning of the Unified Yugoslav Market") qualifies this superb specialist to answer the question: Why is it that large systems are experiencing a crisis in the Yugoslav concept of socialist self-management, and to what extent is that crisis influencing the overall crisis in Yugoslavia?

Dr Novakovic is a rewarding interviewee for one other reason: he began to work on the railroads as a traffic technician back in 1938 and passed through all the steps from train dispatcher and station master to director of the Transportation Institute (he was first a train dispatcher in Slovenia, then in Vojvodina, in Nis, and then by way of Lajkovac, Lazarevac and Smederevo he "moved closer" to Belgrade in 1947, when he enrolled in the School of Economics while still working), and actually he has devoted his entire life and scientific work to transportation.

[Question] Professor Novakovic, explain to us, just as you would your first-year students, what is meant by the term "large systems" and what is their place in a country's economic and social life?

[Answer] Economic theory and economic policy use the term "large systems" to refer to large economic sectors of the infrastructure which are an essential

condition and factor in a country's economic development. The functioning of these large economic sectors furnish the basic material preconditions for the functioning of the economy in a unified economic space; they operate as an integrative factor upon all the developmental elements of production. Usually we are referring to the electric power industry as an element of the energy system, railroad transportation and PTT [Postal, Telephone and Telegraph] Service.

[Question] In view of the importance of these three systems to a country's life, could you compare them figuratively with the function of certain organs of the human body.

[Answer] The fuel and power industry performs the same functions in the body of the economy that are performed in the human body by the organs which feed it and move it. It is customary for rail transportation to be referred to as the circulatory system of the economy, while the PTT system is taken as the nervous system, which provides for the transmission of information and communications.

[Question] We suppose, professor, that you will consider the next question superfluous, since it falls in the domain of knowledge we should gain in elementary school. Nevertheless, in our social and economic tissue it seems that even these elementary realizations are in dispute. So, is it an economic prerequisite that these large systems must function as economic, engineering-and-technological, and organizational wholes over the entire territory of the organism which they serve, just as in the human body the functions of nutrition and blood flow and the nervous system perform man's vital functions from head to toe?

[Answer] Large systems cannot function otherwise; by their own very nature and in their technical and technological characteristics, than as an integral and integrative factor of the economy throughout the unified territory of a country. This means that the optimum in the functioning of large systems cannot be defined as the sum total of the partial optima defined on the principle of regional fragmentation. Without elements of technical, technological, economic and self-management unity, large systems become their opposite: engines which work toward breaking up the unified functioning of the economy in the unified space of Yugoslavia and a factor which puts constraints on social reproduction.

If we look at the situation in our fuel and power industry, we see that the only part of the system functioning as the global optimum is the one which makes it possible for electric power to be transmitted over the entire economic space of Yugoslavia, which means that we have a power system that is unified only in the technological sense. However, from the standpoint of the rationality of this system there is neither an overall development policy, nor a commitment to build sources of energy where the natural conditions are most favorable, nor are there unified balances, nor prices and rates; in the case of rail transportation, which is supposed to provide socially optimum and efficient geographic linkage between production and consumption, not to mention the need for technological unity, in our country each of the eight partial

segments of the system is by and large operating independently, it has its own priorities in development, and actually the partial criteria at the level of the republics and provinces prevail. Nor has fragmentation and splintering been avoided in the PTT system, so that all interest is lost, say, in pooling joint resources to build trunk-line PTT communications, and the resources are by and large invested in local and municipal facilities.

[Question] If all three large systems in our country have in recent decades been developing more and more as partially and regionally rounded off mechanisms, to what extent can we still speak at all about the unified economic region of Yugoslavia?

[Answer] Less and less from the standpoint of the function of large systems. The fact that we have developed the concept of "national economies" most pronouncedly precisely concerning the large systems indicates above all that the power centers understood perfectly the importance of these systems. We can confidently say that the fate of large systems in our country are a classic example of consistent implementation of the concept of rounding off the republic and provincial economies--in the face of common sense and the basic interests of the Yugoslav economy. All of the analyses which have been made both in the Long-Range Economic Stabilization Program and in the material for transformation of rail transportation show that today--in the fuel and power industry, in the PTT and in the railroads--eight artificially created republic-provincial organizations which are set off from one another contrary to all technological and economic criteria, and in the case of the railroads we can confidently say that the boundaries between the railroad transportation organizations are located at the yard entrance signals of the railroad stations at the borders of the republics and provinces, which is utterly at odds with any vital interest of either the railroads or the Yugoslav economy.

Let us take from the countless examples the main railroad line from Jesenice to Djevdjelija, which connects the entire territory of Yugoslavia and serves as the backbone of international and intercontinental rail transportation. That transportation route, along with several main transportation connections by sea and parallel lines, constitutes about one-third of our rail network in terms of length, and it accounts for more than three-fourths of total effort on the Yugoslav railroads. This road, which is our principal main line, is divided among five railroad transportation organizations and four republics and one province, each of which has its own development policy, its own vision of the importance of this main line to its "national" economy, its own development plans, and so on. Because of differing priorities, in some sections of this main line the trains can go at a speed of 100 km, and some only 40 km, and no one can do anything about it.

[Question] What are the specific economic consequences of this kind of situation on the railroads?

[Answer] The studies which we did in drafting the Long-Range Economic Stabilization Program show that in freight transportation we are today using the freight capacity of the operational freight car fleet at about 43-44 percent, while in passenger transportation this coefficient is somewhere around 40

percent. The utilization in the most backward countries of Europe is 60 percent, and in some countries it goes even as high as 80. Of course, the low technical level, the low percentage of capacity utilization and the rolling stock, as a consequence of the defects of the unified system, make shipping costs considerably more expensive. On the average in the advanced European countries the share of transportation costs in the value of commodity production ranges from 6 to 10 percent. In our country in 1961 the share of transportation costs in the value of commodity production was about 11 percent, and then in 1975 it climbed even to about 17 percent, and it has now stabilized somewhere between 15 and 16 percent.

[Question] That means that all of our goods carried by rail cost producers 10 percent more than in Europe. Fine, in exchange for those higher costs do we at least gain in the quality of self-management?

[Answer] In evaluating the functioning of transportation and especially of the railroads as a large technological system, our working group for preparation of the stabilization program came to the irrevocable conclusion that the level of organization in rail transportation up to now, both with respect to self-management and technology, has been inadequate and has even held back the implementation of authentic self-management. This applies in almost the same manner to all other large systems as well.

[Question] If we did not gain anything from the fragmentation and breakup of the large systems, but in fact lost something even in the domain of self-management, and not only in efficiency, productivity, in the engineering and technological level, did we perhaps gain something in fairness and equality?

[Answer] On the contrary, in the fragmented, inefficient and expensive subsystems, when there is no overall concept of development, all those employed on the railroads and in the other large systems in our country have in fact been losing in terms of equality, since all of them together have become poorer.

[Question] Let us put the same question in another way: Do large systems, which by the nature of their function must be unified, belong perhaps in the same bag with the principle of decentralization, and are they accordingly unsuitable to a socialist system of self-management?

[Answer] No one has even thought about proposing the judgment that large systems are not in keeping with socialism, neither in our working group to draft the Long-Range Stabilization Program, nor in drafting the recently adopted model for transformation in rail transportation. On the contrary, the social nonoptimality and inefficiency of the large systems, and the poor results in self-management because of the inappropriate way in which the Law on Associated Labor has been carried out, have today made our large systems more and more a factor limiting the development of the country as a whole instead of a factor for integration and instead of the backbone of development.

[Question] Professor, the stabilization program was altogether clear with respect to the future of large systems. What has been done since that time to transform them?

[Answer] Very little, unfortunately. Large systems are still being carved up, and the changes are being constantly put off. I might enumerate specific examples to you for hours coming from all three large systems, the negative consequences for the entire development of the economy resulting from the lack of unified development programs and priorities, from the impossibility of our agreeing on the choice of a uniform technology, a single manner and source of financing, and so on, not to mention that these large systems are becoming elements for consolidation of republic-provincial power instead of a factor for integration.

[Question] However, the arguments are still made, and they were also heard during the drafting of the Long-Range Program and the drafting of the proposal for self-management transformation of the railroads, that the treatment of these activities as large systems jeopardizes worker self-management and especially the equality of the nationalities and ethnic minorities in the republics and provinces.

[Answer] And I say that the present organization of self-management in the large systems is not only harmful to the interests of the society as a whole, but it is also contrary to the interests of the working class, and indeed also the workers employed in those systems. This is quite certainly felt by all those employed in the large systems, and, I am convinced, and we have evidence of this in both the climate and the course of the recently held action conference of party members employed on the railroads--if the workers employed in the large systems were afforded the possibility of stating their position freely in a referendum as to whether they are in favor of this kind of engineering and technological, economic and self-management treatment of large systems as unified Yugoslav systems, we would get 100-percent agreement.

[Question] This kind of "open" commitment to the unity of large systems in Yugoslavia, however, is sometimes explicitly labeled as centralistic and unitaristic.

[Answer] You know, the nature of these large systems we are talking about is such that even Yugoslavia as a whole is small for them. I have taken part in several conversations in our country in which it was actually said that large systems, say the large systems in SR [Socialist Republic] Slovenia, should above all serve to satisfy the needs of the Slovenian economy and population, and that as far as the railroads are concerned each republic and province "should have the railroad it can pay for." The following statistical datum indicates how nonsensical this is: international traffic represents all of 34 percent of total rail traffic in Yugoslavia, and so-called joint traffic, i.e., traffic extending over the territory of at least two railroad transportation organizations, represents about 75 percent of total freight traffic on Yugoslav railroads. The theory and practice of large systems throughout the world, and in Europe especially, show that within the limits of an economic entity it is truly worthwhile to take into account the specific features of individual regions and subsystems; however, those subsystems in the economy of various regions, in our cases the republics and provinces, must above all be parts of the country's overall large system.

[Question] Do you feel, say, that Belgrade or Serbia is better served if the large systems are unified at the level of Yugoslavia than would be the case, say, of Bosnia or Croatia or Macedonia or Slovenia? How do you explain, for instance, that specialists and politicians from Serbia talk more today about the unified market and about unified systems, while in certain other communities that thesis is often disputed? Do you think that there is after all some internal connection here between the aspiration for the unified operation of large systems and a concealed maneuver on the part, say, of Serbia to use the argument about the unity of these systems to take Yugoslavia back to a centralistic and unitaristic concept?

[Answer] Here is what I think: you mention Serbia and Belgrade, and you ask whether those regions have any particularly stronger or more important interest to motivate them to fight for the unity of large systems than in the case of, say, Slovenia and Macedonia. If the working class of Yugoslavia is unified, and I no longer know whether we all think that, then there can be no dispute about whether the most efficient and best self-managed mode of business operation of large systems is the one that best intensifies the activity of that system and yields the best performance--what is basically the interests of those employed in that system, regardless of the part of Yugoslavia in which they have pooled their labor--in the case of the railroad workers on the Yugoslav railroads. An impoverished, out-of-date, overindebted and splintered railroad system which does not have an overall concept of development cannot be in the interest of a single worker in that large system. Incidentally, these principles have been quite clearly and successfully defended by the Economic Stabilization Program, and all the spokes being put in the wheels of realization of that program are just a continuation of the resistance offered by republic and provincial power centers to the real integration of labor in Yugoslavia and to realization of the Program of the League of Communists. There is no party forum or document--the most recent is the letter of the SFRY State Presidency--which has not clearly taken a position on the issue of large systems, and that is the position which I myself am arguing for, and if the documents of the recent congresses of the League of Communists of Yugoslavia are unitaristic and centralistic, then that is also the case of these reflections.

[Question] Professor, there is great fear throughout Yugoslavia because of the siphoning of resources, money and income. And actually the largest reserve about the unity of large systems is being expressed precisely because of the fear that those who perform well are perpetually keeping afloat those who are performing poorly. Is it possible in the framework of large systems as conceived by the Long-Range Stabilization Program to establish the kind of economic relations (that is, not only technological, technical, strategic and planning unity) that will guarantee full equality of all the working people who work in that system regardless of territory, and prevent the outdrain of resources. If you are able to prove that the fear of the siphoning off of resources is unfounded, then we no longer find ourselves in the domain of consideration of economic relations and of economic and political exploitation, but probably in the domain of a differing view of the unity of Yugoslavia and of the relationship between the nationality aspect and the class aspect in the country.

[Answer] The problem of mutual economic relations of entities in economic activity in large systems is one of the most important questions, if not in fact the most important, in guaranteeing the unity of this system. I think it would not be easy to find all the standards of measurement and criteria for evaluation of the quality and quantity of effort in large systems which extend over the entire country, to evaluate the attitude toward resources which are handled, to evaluate the efficiency, productivity and individual contributions in the total global contributions, but it would be possible. If it is possible if there is any justice in the economy at all to provide correct and fair methods and mechanisms for distribution which would prevent that kind of siphoning. There is no dispute about that at all. It is not easy to do, I repeat, but if we want decentralization, equality and economic justice in an original social system like ours, then we have to find solutions for a fair distribution of revenues as well. You see, in railroad transportation about two-thirds of the costs are fixed, i.e., invariable, regardless of where the trains go; they do not depend either on the volume or on the quality or quantity of effort. What remains is to evaluate the remaining 34 percent of costs. In our proposal for self-management transformation we set forth the basic principles and criteria for working out a methodology to distribute joint revenues and also for real valuation of variable costs. It seems to me that there can be no dispute about that, at least not in a discussion of fundamental principles.

[Question] There is an old joke which goes: "Before the war we had nothing, and then the Germans came and took everything from us." What I want to ask you is this: We did not invent America, nor did we invent the railroads or large systems, nor indeed even decentralization for that matter, these are worldwide processes. How do others work this out, in Europe say, and in relative terms where do we stand today compared to Europe, that is, has our relative position, say, in the railroads, improved over 1939 compared to the condition and development of the European railroads?

[Answer] When we speak about modernization of our railroads, this is an example of a large system, and it is probably much the same in the others, I have to say that our analyses show that we are lagging 15 to 20 years behind Europe. If we were to compare our relatively underdeveloped railroads in, say, 1939, to the situation in Europe in that same year, I must unfortunately say that at that time we were not lagging as far behind Europe as we are today. As for the characteristics of the European railroads as a system for the circulation of freight and passengers in Europe, it is not carved up by national borders. At the level of Europe there is also a jointly agreed strategy for development of the network of European main rail lines over a length of 40,000 km, and that also includes 3,800 km of our Yugoslav lines. The biggest problems they have been having have been with those 10 percent or so which are our share, since on our 3,800 km there are eight states--eight priorities and development policies, and even when they extend to us favorable credits for modernization of those 3,800 km of main rail lines, we cannot always agree on which state, that is, which republic or province, to allocate those credits to.

[Question] A few days ago someone told us that in fact there are eight republic and provincial delegations that go to the meetings of that European railroad organization, probably out of fear that something might be stolen from them. Can you give us confirmation of that?

[Answer] Unfortunately, I must confirm it. Sometimes there actually are eight republic and provincial delegations within the delegation of the Community of Yugoslav Railroads, and I must admit that there are times when our European colleagues make fun of us for it.

But let me answer the rest of your question. There is also joint agreement at the level of Europe about the characteristics which the national lines must have with respect to the speeds they are capable of, the load capacity, axle load, development of certain railroad junctions, and so on. Likewise the European International Railroad Union sets forth, and that in very strict terms, the joint policy concerning the standards and technical characteristics of the principal transportation facilities, and recently indeed the European railroads have even been acting jointly as a super system in negotiations with large manufacturers of locomotives or railroad cars in order to obtain more favorable conditions. You know, unfortunately, that in our country we are far from being able to agree on a joint effort in anything.

Likewise, there is also a joint European transportation policy that is being prepared; that means coordinating the policies for development of transportation as a whole not only of the European railroads, but also of highway, maritime and river transportation, and criteria and principles of policy are set down which all the members must adhere to. But in our case?

[Question] Last week you attended the meeting of the European Conference of Transportation Ministers, of which Yugoslavia is a member. What were you most impressed with there?

[Answer] Well, you see, we in Yugoslavia do not have a dinar of resources which railroad transportation organizations have pooled together. But they in Europe are undertaking serious consideration of a joint concept for financing the more important international main line projects; that is, they are considering what we would refer to as the pooling of resources. They can do it, but we can't.

Further, even in connection with rate policy, they agree on the international rates for transit freight (coal, steel, certain building materials), and there is even a uniform rate schedule for certain goods and also a methodology for distribution of revenue among national railroads. Naturally, uniform fare schedules have also been established for international passenger transportation--and you see that in our country certain republic or provincial enterprises are insisting on their own setting of rates and fares for their republic.

Basically, when we see what they are doing in Europe, it is clear that they have come to the conclusion that each of the European countries is individually small and that they must conduct a European transportation policy that is

optimum from the standpoint of international visible trade, and that also means from the standpoint of economic development, joint development policy, mutual adjustment of technical and technological characteristics, quotas, standards, adoption of standard models, and so on. When you sit in those meetings, you inevitably see how absurd, uneconomical and if you like even primitive it is for us to think about some of our partial republic and provincial systems.

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